Calendar No. 676

101ST CONGRESS *2d Session*	SENATE	REPORT 101-357

FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

REPORT

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

TO ACCOMPANY

S. 2830

together with

ADDITIONAL AND MINORITY VIEWS

JULY 6, 1990.—Ordered to be printed
Filed under authority of the order of the Senate of June 26 (legislative day, June 11), 1990

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Mr. LEAHY, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. 2830]

The Committee on Agriculture, Nutrition, and Forestry, reports an original bill (S. 2830) to extend and revise agricultural price support and related programs, to provide for agricultural export, resource conservation, farm credit, and agricultural research and related programs, ensure consumers an abundance of food and fiber at reasonable prices, and for other purposes having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE OF THE LEGISLATION

The Food, Agriculture, Conservation, and Trade (FACT) Act of 1990 reauthorizes and revises a wide range of programs and statutes covering the full gamut of Federal food and agricultural policies. The bill extends and updates agricultural price support programs for commodities covered by such programs, and it revises programs related to agricultural trade, farm credit, agricultural research, and conservation. It also revises or creates programs in the areas of forestry, grain quality, and global warming. The ultimate purposes of these provisions are to ensure consumers an abundance of food and fiber at reasonable prices, to maintain the competitiveness of American farm products while providing a fair return to producers, and to conserve the natural resources which serve as the basis for all agricultural production.

SUMMARY OF MAJOR PROVISIONS

TITLE I—DAIRY

The milk price support rate will not be less than $10.10 per hundredweight of milk containing 3.67 percent milkfat, beginning on January 1, 1991, and ending on December 31, 1995.

The Secretary is authorized to adjust the purchase prices for butter and nonfat dry milk twice in each calendar year. However, butter prices can be no higher than $0.983 in 1991, $0.815 in 1992–93, and $0.788 in 1994–95, unless the Secretary determines than an alternative price will result in lower budget expenditures.

If USDA projections of Commodity Credit Corporation (CCC) purchases of milk and milk products, on a total milk solids basis, exceed 7 billion pounds in the calendar year, a milk marketing adjustment program will be implemented to control CCC purchases of milk and milk products for the following calendar year. The Secretary will prepare a report to Congress by July 1 of each year, with recommendations concerning the milk marketing adjustment program after soliciting proposals through a notice in the Federal Register.

If the Secretary is required to establish and carry out a marketing adjustment program for milk, the Secretary may not enter into a contract with any milk producer for the purpose of slaughtering or exporting dairy cattle. Congress may disapprove the marketing adjustment program.

Under the bill, no State may use a greater manufacturing allowance for establishing a Grade A price for milk for manufacturing butter, nonfat dry milk, or cheese, than that allowance provided for in Federal programs.

The Secretary shall study modifications to the Minnesota-Wisconsin milk prices series used in establishing minimum prices under the Federal milk marketing orders. Any changes made as a result of the study require public notice and comment rulemaking.

The Secretary shall study multiple component pricing to determine whether, and to what extent, milkfat is being produced in the U.S. in excess of commercial needs, and what changes in Federal policies are needed. The Secretary will then announce a national hearing to consider the adoption of multiple component pricing provisions in individual Federal milk marketing orders and will invite additional industry and consumer proposals for each order.

A processor funded milk promotion program is established. The Secretary will prepare a report with recommendations concerning the processor funded milk promotion program and its effectiveness in increasing sales of Class I fluid milk products. Within 60 days of enactment of this Act, the Secretary will solicit public comment on the program, and other proposals for a processor funded milk promotion program. The Secretary then will submit the report and recommendations to Congress, no later than May 1, 1991.

A National Processor Advertising and Promotion Board would be established to carry out programs and projects to provide maximum benefit to the fluid milk industry, focusing the advertising into media markets, and promoting Class I fluid milk products. The Secretary will establish not less than 10, and no more than 25 marketing regions, from among Class I processors. The Board will consist of one member appointed by the Secretary, from among Class I processors, from each marketing region.

Title II—Wool and Mohair

The Wool Act of 1954, as amended, is extended for 5 years. The Secretary is authorized to support the price of wool through loans, purchases, payments, or other operations. Each year a single payment rate, which is the percentage difference between the national average of all domestic wool receipts and the predetermined price support level, is calculated by USDA. Each wool producer's payment is calculated by applying this rate to net proceeds for wool sold the preceding marketing year. This method of payment encourages wool producers to obtain higher market prices by improving the quality and marketing of their wool. A payment limit of $50,000 per person is established.

Title III—Wheat

The wheat provisions of the bill require the Secretary to implement one of two price support loan levels for wheat for the 1991 through 1995 crops. Plan A has a marketing loan rate established using the current basic loan formula, but with a floor of $2.44 per bushel, and has no provision for any further adjustment. Plan B has a marketing loan rate established using the current basic loan rate formula, but the basic loan rate shall be no lower than $2.44 per bushel. The Secretary has discretionary authority to reduce the loan rate by up to 20 percent, while maintaining marketing loan provisions at the adjusted loan rate.

Under Plan B, for every 1 cent reduction in the loan rates for wheat, under the 20 percent discretionary authority, the Secretary would provide producers at signup with an advance payment of .75 cents, based on program yield. This advance is in addition to any other advance payments, and must be repaid 9 months after the start of the marketing year.

Deficiency payments for wheat are calculated in the same manner as in current law. The payment rate is the difference between the established price and the higher of the national average market price or loan rate. The established price is frozen for the 1991–95 crop years at $4 per bushel.

The bill authorizes an acreage reduction program (ARP) between 0 and 20 percent for wheat if needed to reduce production. The Secretary would be required to announce any wheat acreage reduction program not later than June 1, (with authority to change the program up to July 31) prior to the calendar year in which the crop is harvested. If the estimated wheat ending stocks-to-use ratio is more than 40 percent, then the ARP will be between 12.5 and 20 percent. If the estimated wheat ending stocks-to-use ration is less than 40 percent, then the maximum ARP is 12.5 percent.

Wheat producers may not plant in excess of permitted acreage unless the producer is in a discretionary inventory reduction program, is exercising planting flexibility provisions, or is in the Targeted Option Program (TOP). The TOP would permit a producer to increase or decrease the ARP and receive a comparable increase or decrease in target prices for the remaining production. The Secretary has limited discretion in determining the level of change in target prices under TOP.

The Secretary is authorized to make land diversion payments, regardless of whether an acreage reduction program is in effect, if the Secretary determines that such diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary.

Haying and grazing are permitted except during consecutive 5-month periods, as determined by the State Agricultural Stabilization and Conservation Service (ASCS) and announced by January 1. A new provision authorizes the establishment of perennial cover on a portion of conserving use acreage.

A pilot bushel based program is authorized, which would allow producers to meet the ARP requirements by limiting the amount of bushels marketed, instead of the amount of acreage. The program option will be offered for producers in at least 60 counties (15 counties in each of 4 States). A GAO study of the program would be required after 2 years.

Cross compliance provisions are eliminated for wheat.

Minor oilseeds may be planted on 0/92 acreage, but producers must choose between eligibility for 0/92 payments or oilseed marketing loans.

TITLE IV—FEED GRAINS

The feed grains provisions of the bill would require the Secretary to implement one of two price support loan levels for feed grains for the 1991 through 1995 crops. Plan A has a marketing loan rate established using the current basic loan formula, but with a floor of $1.96 per bushel, and has no provision for further adjustment. Plan B has a marketing loan rate established using the current basic loan rate formula, but the basic loan rate shall be no lower than $1.96 per bushel. The Secretary has discretionary authority to reduce the loan rate by up to 20 percent, while maintaining marketing loan provisions at the adjusted loan rate.

Under Plan B, for every 1 cent reduction in the loan rate for feed grains, under the 20 percent discretionary authority, the Secretary would provide producers at signup with an advance payment of .75 cents, based on program yield. This advance is in addition to any other advance payments, and must be repaid 9 months after the start of the marketing year.

The Secretary is required to make deficiency payments for feed grains, calculated in the same manner as in current law. The payment rate is the difference between the established price and the higher of the national average market price or loan rate. Such payments will be made available based on the following target prices for the 1991–95 crops: $2.75 per bushel for corn; $2.61 per bushel for grain sorghum; and $2.36 per bushel for barley. The target price for oats would be $1.55 per bushel for 1991; $1.65 per bushel for 1992; $1.75 per bushel for 1993; and $1.85 per bushel for 1994–95. In calculating the national weighted average market price for barley, the Secretary shall exclude the portion of the average malting barley prices that exceed average feed barley prices by 22 cents.

The bill authorizes an acreage reduction program (ARP) for feed grains between 0 and 20 percent. The ARP will be announced by September 30, with adjustments made to the program by November 15. If the estimated corn ending stocks-to-use ratio is more than 25 percent, then the ARP will be between 12.5 and 20 percent. If the ending stocks-to-use ratio is under 25 percent, then the maximum ARP is 12.5 percent.

Feed grain producers may not plant in excess of permitted acreage unless the producer is in a discretionary inventory reduction program, uses planting flexibility provisions, or is in the Targeted Option Program (TOP). The TOP would permit a producer to increase or decrease the ARP and receive a comparable increase or decrease in target prices for the remaining production. The Secretary has limited discretion in determining the level of change in target prices under TOP.

A pilot bushel based program is authorized, which would allow producers to meet the ARP requirements by limiting the amount of bushels marketed, instead of the amount of acreage. The program option will be offered for producers in at least 60 counties (15 counties in each of 4 States). A GAO study of the program would be required after 2 years.

Haying and grazing are permitted except during consecutive 5-month periods, as determined by the State Agricultural Stabilization and Conservation Service (ASCS) and announced by January 1. A new provision authorizes the establishment of perennial cover on a portion of conserving use acreage.

Cross-compliance provisions are eliminated for feed grains.

Minor oilseeds may be planted on 0/92 acreage, but producers must choose between eligibility for 0/92 payments or oilseed marketing loans.

TITLE V—COTTON

The cotton provisions of the bill require the Secretary to make available to producers of upland cotton nonrecourse loans to support the price of upland cotton. The price support loan level for cotton is calculated as under current law, and may not be reduced more than 5 percent in any year. For the 1991-95 crops, the loan level would be the lower of 85 percent of the average U.S. spot market price during the preceding 5 years, eliminating the high and low years, or 90 percent of the average of price quotes from Northern Europe. The loan level may not be reduced below 50 cents per pound.

The Secretary is required to announce the loan level by November 1 of the calendar year preceding the marketing year for which the loan is to be effective. The Secretary may also extend the loans, at the producer's request, for an additional 8 months beyond the normal 10 month term.

A producer may repay a loan at prevailing world market prices, if that price is below the loan level. If necessary, the Secretary may establish another repayment level between the loan level and the prevailing world market price.

The Secretary must adjust the calculation of the prevailing world market price if cotton is uncompetitive. The Secretary must issue negotiable marketing certificates or loosen import restrictions if U.S. cotton is uncompetitive over a period of 4 or 10 weeks respectively. A special limited global import quota is maintained, and a new authority is given to the Secretary to increase the quota in times of short supply.

Deficiency payments for cotton are calculated in the same manner as in current law. The payment rate is the difference between the established price and the higher of the national average market price or loan rate. The established price for 1991-95 crops is frozen at $0.729 per pound.

The bill authorizes an acreage reduction program (ARP) for cotton of between 0 and 25 percent, if needed to reduce production. The Secretary would be required to announce any such cotton acreage limitation or set-aside program not later than November 1 (with authority to change the program up to January 1) prior to the calendar year in which the crop is harvested.

Cotton producers may not plant in excess of permitted acreage unless the producer is in a discretionary inventory reduction program, has planting flexibility provisions, or is in the Targeted

Option Program (TOP). The TOP would permit a producer to increase or decrease the ARP and receive a comparable increase or decrease in deficiency payments for the remaining production. The Secretary has limited discretion in determining the level of change in target prices under TOP.

The Secretary is authorized to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of cotton to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary. The Secretary will establish payment rates or payments determined through the submission of bids.

The Secretary is required to make available to producers recourse loans on seed cotton using existing authority under the Commodity Credit Corporation Charter Act.

Haying and grazing are permitted except during consecutive 5-month periods, determined by the State Agricultural Stabilization and Conservation Service (ASCS) by January 1. A new provision authorizes the establishment of perennial cover on a portion of conserving use acreage.

Cross-compliance provisions are eliminated for cotton.

Minor oilseeds may be planted on 50/92 acreage, but producers must choose between eligibility for 50/92 payments or oilseed marketing loans.

TITLE VI—RICE

The rice provisions of the bill require the Secretary to make nonrecourse loans and purchases available to rice producers at 85 percent of the olympic average price received by producers in the preceding 5 years. The loan level will not fall below $6.50 per hundredweight. The loan and purchase level cannot be reduced by more than 5 percent from the level determined for the preceding year's crop. The Secretary is required to announce the loan and purchase level no later than January 31 of the calendar year for the crop harvested in that calendar year. The loan term shall not exceed 9 months.

A producer may repay a loan at prevailing world market prices, if that price is below the loan level, but not less than 70 percent of the loan level.

The Secretary is required to make available deficiency payments to producers for the 1991 through 1995 crops of rice using the same formula as under current law. The established price for the 1991-95 crops of rice is frozen at $10.71 per hundredweight.

An acreage reduction program (ARP) for rice between 0 and 35 percent is authorized to reduce production. The Secretary is required to announce such a rice acreage limitation or set-aside program no later than January 31 of the year in which the crop is harvested.

Rice producers may not plant in excess of permitted acreage unless the producer is in a discretionary inventory reduction program, has utilized this bill's planting flexibility provisions, or is in

the Targeted Option Program (TOP). The TOP would permit a producer to increase or decrease the acreage reduction program (ARP) and receive a comparable increase or decrease in target prices for the remaining production. The Secretary has limited discretion in determining the level of change in target prices under TOP.

The Secretary is authorized to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect. Such payments must be necessary to adjust the total national acreage of rice to desirable goals.

Haying and grazing are permitted except during consecutive 5-month periods, determined by the State Agricultural Stabilization and Conservation Service (ASCS) by January 1. A new provision authorizes the establishment of perennial cover on a portion of conserving use acreage.

Cross-compliance provisions are eliminated for rice.

Minor oilseeds may be planted on 50/92 acreage, but producers must choose between eligibility for 50/92 payments or oilseed marketing loans.

Title VII—Peanuts

The current peanut program is extended with modifications for increases in support rate, quality, quota distribution in Texas, and more direct notice of regulatory changes (i.e. changes in regulation will be announced in meetings held by the Secretary or his designee in Atlanta, Georgia).

Title VIII—Oilseeds

A nonrecourse marketing loan program for oilseeds is established, repayable at prevailing world market prices or the loan rate. The loan rate is set at $5.50 per bushel. The Secretary has the authority to reduce the soybean loan rate if estimates of stocks are excessive, but not below $5 per bushel. Loan rates are set for rapeseed, sunflower seed, canola, flax seed and safflower at 9.7 cents per pound. The Secretary shall adjust these rates in accordance with adjustments made in the loan level for soybeans. The Secretary is authorized to establish programs for other oilseeds.

Preliminary announcement of the program will occur by July 15, with the final announcement occurring by November 15 of the year prior to the marketing year for the crop.

The Secretary will not permit planting of soybeans on conserving use acreage, except as provided elsewhere in this legislation, and may not authorize payments to producers to cover cost of soybean storage. Soybeans are not eligible for any reserve program.

Title IX—Sugar

The sugar provisions under current law are extended through 1995, with the loan rate maintained at 18 cents per pound. Sugar producers will be able to effectively obtain a 9 month loan, granting sugar producers in certain areas of the country use of the loan program, who were previously ineligible due to harvesting late in the fiscal year.

TITLE X—GENERAL COMMODITY PROVISIONS

SUBTITLE A—ACREAGE BASE AND YIELD SYSTEM

The Secretary shall provide for the establishment of a normal crop acreage for 1991 and subsequent crops of program crops and oilseeds. Crop acreage bases and historical oilseed plantings are established for each program crop and oilseed, equal to the average of acreage planted and considered planted to the program crop or oilseed for harvest, in the preceding 5 crop years. Current law provisions concerning cotton and rice are retained if the producer did not produce cotton or rice in each of the preceding 5 crop years.

Several new provisions are authorized that will give producers additional flexibility in planting decisions. Farmers may plant 25 percent of their program crop base to another program crop, nonprogram crop, or oilseed. Their original crop acreage bases will be maintained, but no deficiency payments will be made on the permitted acreage if not planted to the original program crop. Program crops may be planted in excess of permitted acreage, in certain circumstances.

The producer may plant permitted acreage to any other program crop or oilseed if the producer certifies that no acreage was planted to the crop and the producer forgoes receiving any payments under the program for the crop. A producer eligible for deficiency payments on a program crop, in any crop year, may not use acreage planted or considered planted to any program crop or oilseed to increase crop acreage bases in subsequent years.

Farm program payment yields for the 1991-95 crops will be either equal to the farm program payment yield for the farm for the 1990 crop-year, or at the discretion of the Secretary, the average of actual yields for the farm. If no crop was produced or if no farm program payment yield was established for any of the 1986-1990 crops, the farm program payment yield will be established on the basis of the average farm program payment yield for the crop years of similar farms in the area. The Secretary may establish national, State, or county program payment yields, and will allow producers to provide actual yield data to the Agricultural Stabilization and Conservation Service (ASCS) county committees.

Any producer expanding current irrigated acreage planted to program crops shall not be assigned an irrigated yield for any new irrigated land. Producers may receive special payments to compensate for drops in farm program payment yields in excess of 10 percent from the 1985 farm program payment yield in any of the 1991-95 crop years.

SUBTITLE B—MISCELLANEOUS COMMODITY PROVISIONS

The bill amends various general commodity provisions contained in the Food Security Act of 1985, the Agricultural Act of 1949, and other laws. The bill amends the payment limitation provisions of the Food Security Act of 1985 to extend the application of those provisions to the 1991 through 1995 crops. The bill also amends the payment limitation provisions to provide for more equitable treatment for spouses.

Advance deficiency and disaster payment provisions are extended through the 1995 crops. The bill provides that if the final deficiency payment to a producer is less than the projected deficiency payment, then the Secretary will provide a payment to the producer equal to 20 percent of the difference.

The provisions concerning generic commodity certificates are revised to require the Secretary to pay interest on a cash redemption of a certificate, provided that the certificate has been held for at least 150 days.

The minimum sales price restrictions applicable to stocks of commodities held by the Commodity Credit Corporation (CCC) have been revised. Generally, the CCC may not sell commodities at a price that is below 115 percent (105 percent for oilseeds) of the lower of the national price support loan rate for the commodity or 115 percent of the loan repayment rate for the commodity. Extra Long Staple cotton is not directly covered by this restriction. If wheat and feed grains are being stored under the farmer owned reserve program, the CCC may not sell its stocks of those commodities at less than 105 percent of the target price.

The bill extends the disaster payment authority of the Secretary with respect to peanuts, soybeans, sugar beets and sugarcane. The Food Security Wheat Reserve Act of 1980 is extended to 1995 with one change to help ensure that stocks in the reserve are at least 75 million bushels by the end of the marketing year.

The provisions concerning adjustments that may be made in loan levels for differences in quality, location and other factors are updated to help the Secretary provide incentives for the production of high quality commodities.

The farmer owned reserve (FOR) program is revised to make it more efficient and effective. If the price of wheat or feed grains is less than 140 percent of the loan rate, Secretary must allow entry into the FOR. Storage payments to producers will be made on a quarterly basis, but would cease to be paid for any quarter during which the price of the commodity reaches the target price level. The producer may withdraw commodities from the reserve without paying a penalty. The Secretary may establish a maximum amount of grain that may be placed in the reserve. The Secretary may charge interest on FOR loans whenever the price of wheat or feed grains is equal to or exceeds the current established price.

SUBTITLE C—HONEY

The current honey program is extended. Price supports are frozen at the 1989 level of 56.86 cents/lb. for the 1991-95 crop years. Loan repayment rates remain the same.

TITLE XI—TRADE

This title contains two major reforms of agricultural laws. First, major reforms have been made in Public Law 480, commonly known as the "Food For Peace" program. Second, the existing Agricultural Trade Act of 1978 is reformed by consolidating and revising commercial agricultural trade programs.

A. Agricultural Trade Development and Assistance Act of 1954

The bill makes major improvements in the Public Law 480 food assistance program. Clear lines of authority to the agencies responsible for different parts of Public Law 480 are established. Multiyear approvals of country, private voluntary organizations and cooperative programs are required (as opposed to the current practice of requiring annual approvals even for programs that will run for several years). The process by which commodities are determined to be available or unavailable for Public Law 480 use is amended. The so-called "docket" which has been a major roadblock to having an efficiently run program.

The bill establishes a new title I grant program. Currently, Public Law 480 title I authorizes sales of commodities, albeit on concessional terms, with repayment in dollars.

Food aid is focused on countries which have the greatest need for food assistance. This legislation tightens country eligibility criteria for the grant program to reflect a concern for food security. Only the truly poor and food deficit countries will qualify under the new grant program.

A new market development program for the more developed Third World nations is established. A clear line of authority to USDA to run this program is established.

A new "Food for Freedom" program is established. Current law limits presidential authority to respond with food aid quickly to new and emerging democracies. The new Food for Freedom program provides maximum flexibility to respond to unforseen situations, such as those in Eastern Europe.

A debt forgiveness mechanism for the poorest countries, which face impossible debt burdens, is established. The legislation provides a means for those poor countries to receive forgiveness of debt incurred under earlier Public Law 480 title I loans. This is similar to existing authority to forgive debt incurred under the Foreign Assistance Act.

Food aid shipments will be required to be delivered in a more timely manner. The legislation reforms this process by removing bureaucratic impediments which contribute to delays, by putting the programming on a multiyear basis and by setting a deadline for the signing of agreements. The time of harvest in the recipient country must be a primary consideration when scheduling food shipments, and specific provisions in the legislation protect local farm production.

Foreign agents will be prevented from abusing Public Law 480 shipping provisions. In the past, potential conflicts of interest arose as agents were retained by recipient countries to arrange for shipment of Public Law 480 commodities, receiving up to a 2.5 percent commission on all shipping costs. The legislation requires USDA either to serve as the agent itself or to allow the recipient country to purchase agricultural commodities on a c&f ("cost and freight") basis.

B. Agricultural Trade Act of 1978

The bill amends the Agricultural Trade Act of 1978 to make that Act the repository of most commercial agricultural trade programs.

The legislation establishing agricultural trade offices overseas and otherwise dealing with the agricultural attache service remains in the Agricultural Act of 1954.

The revised Agricultural Trade Act of 1978 contains a broad definition of "agricultural commodity" which includes wood and wood products. The bill requires the Secretary of Agriculture to devise and implement a 3 year coordinated agricultural trade strategy.

The bill revises Commodity Credit Corporation (CCC) Credit guarantee programs to provide more guidance to USDA by relaxing domestic content requirements, tightening U.S. bank eligibility requirements, requiring CCC to conduct random annual audits to confirm that commodities actually arrived at the intended foreign destination, and invalidating export credit guarantees to any exporter or assignee who participates in any scheme to misuse the guarantee.

A Marketing Assistance Program (MAP) is implemented to replace the Targeted Export Assistance (TEA) Program. The MAP program is broader and focuses on building markets rather than compensating exporters for markets lost to unfair trade practices of foreign countries. The Secretary may give priority to those applicants who prove that they are fighting unfair trade practices. The program is funded at $225 million per year and will be run on a cost-share basis.

A revised Export Enhancement Program (EEP) is authorized to combat unfair trade practices in foreign countries. Trade policy programs and authorities are outlined. The purpose of such a program is also clarified to put pressure on other countries to achieve trade policy reform. Current antiembargo provisions are transferred to the Agricultural Trade Act of 1978.

Title XII—Conservation

The basic provisions of the Food Security Act of 1985 conservation title are continued.

The Conservation Stewardship Program (CSP) is created to extend and refine the Conservation Reserve Program (CRP) (renamed the Environmental Conservation Acreage Reserve). The CSP includes the CRP, renamed the Environmental Conservation Acreage Reserve Program (ECARP), and the new Wetlands Reserve Program (WRP) that restores wetlands and protects them through the use of conservation easements. The Agricultural Water Quality Incentives Program (WQIP) provides management incentives to help farmers prevent ground and surface water contamination.

The Secretary is directed to enroll in the CSP a total of not less than 40 million acres, with a maximum of 50 million acres. Acres in excess of 40 million may be enrolled after taking into consideration the need to keep enough cropland in production to maintain supplies for domestic and export demand.

Marginal pastureland, shelterbelts, windbreaks, and grass strips, are all made eligible for the conservation reserve. Land whose use in crop production may contribute to surface and ground water contamination may be enrolled into the reserve if the land cannot be successfully treated with the water quality management incentives program.

Conservation reserve incentives for tree planting are increased by: (1) allowing existing reserve lands to be converted from grass to hardwood trees, shelterbelts, and windbreaks, with the option of extending the contract to a total length of 15 years; and (2) allowing the Secretary to consider bids for lands to be enrolled into the CRP on a continuous basis if these lands are devoted to hardwood trees.

The WRP is designed to restore wetland functions and values to converted cropland and farmed wetland areas. To be eligible for the program, land must be either a wetland converted to cropland before December 23, 1985, or a farmed wetland, and must be capable of being successfully restored to wetland status. Also, to be eligible, land owners must agree to sell a long term or permanent conservation easement to the Secretary for these newly restored wetlands. Fair market value, reflecting the economic uses that will be allowed on the restored areas, will be paid for the easements. The Federal Government will share 75–100 percent of the cost of restoring these wetlands, depending on the length of easement that is conveyed.

The Secretary is also directed to conduct an extensive study to provide Congress information and options on how to treat the 34 million acres now under conservation reserve contracts, when their contracts expire.

The agricultural WQIP is designed to aid agricultural producers in achieving major reductions in the contamination or degradation of surface and ground water while enhancing farm profitability and productivity. Producers will be given incentive payments if they enter a 3–5 year agreement with the USDA, under which the producer will implement management techniques that reduce pollution.

The 1985 conservation compliance provision is modified slightly, providing for limitation ineligibility where a tenant is out of compliance as a result of a landlord's refusal to allow the conservation plan to be implemented.

A voluntary Integrated Crop Management program (ICM) is established. Participating farmers will adopt practices designed to reduce the potential for agricultural pollution. To the extent practicable, the Secretary shall enroll 3–5 million acres a year until 1995. Participating farmers planting "resource-conserving crops" will not have their crop acreage bases reduced, but will not receive deficiency payments on the acres they plant to these resource-conserving crops. Annual acreage set-aside requirements may be altered for participants to the extent program crop production is reduced by ICM participation, and the provisions of cross compliance may be waived. The Secretary may also limit haying and grazing on these farms if the harvest and use of the resource-conserving crops is determined to have a potential negative effect on local markets.

Three basic changes are made in the 1985 swampbuster provisions. The first establishes an active minimal effects/mitigation process. Producers who drain wet areas and as a result have a minimal effect on wetland functional values will not be in violation of swampbuster. Areas with wetland functional values may be drained if they are mitigated through the restoration of wetlands, resulting in equivalent wetland values. The Soil Conservation Serv-

ice (SCS) and the Fish and Wildlife Service (FWS) must concur at the local level on minimal effects determinations, as well as any wetland restoration plan for mitigation. If no concurrence is possible, the final decision is made at the SCS State or Federal level, in consultation with the FWS.

The second swampbuster change is the creation of a graduated penalty for first time violators who in good faith attempted to comply with the provisions of the program. Violators will be assessed penalties ranging from $750 to $10,000 and will be required to restore the wetland. The third swampbuster change alters the trigger for a swampbuster violation. Under current law, violation occurs when a producer plants an agricultural commodity on a converted wetland. A violation is now also triggered at the conversion of a wetland with the potential of being planted to an agricultural commodity.

In addition to the WQIP and the ICM program, both of which are designed to address the potential problem of water contamination, the title contains a third provision directing the Secretary to provide specific on farm, site-specific technical assistance to farmers who are under a State or Federal order or law to meet certain environmental standards.

A recordkeeping requirement is established, under which producers who use restricted-use pesticides, are required to keep records on their use.

Title XIII—Credit

This title resolves concerns stemming from the Agricultural Credit Act of 1987, and improves assistance to beginning farmers and financially troubled borrowers. Farmers Home Administration (FmHA) borrowers are required to meet a minimum experience qualification of 3 out of the last 5 years and are limited to a total of $350,000 in principal and interest in debt forgiveness on delinquent loans. FmHA is required to supervise loans more closely and to provide financial and management training to borrowers and loan officers as well as training for county committee members.

FmHA is permitted to release inventory property 1 year following the publication of availability. Beginning farmers are given a preference for the purchase of this property. Once property comes into inventory, a conservation easement amendment sets out in more detail what the FWS should consider when placing conservation easements. FmHA borrowers may consider giving up easements on their property in return for credit or debt forgiveness.

Delinquent borrowers are limited to one write-down, except that a delinquent borrower who received a write-down prior to the enactment of this legislation may receive a small additional write-down to provide 105 percent of the debt service margin. There is also an allowance for qualified delinquent borrowers who have faced a disaster within the current or previous year to receive an additional write-down.

If a farmer has a marketing or processing business that gets more than 20 percent of its raw material from off the farm, the farmer will now be eligible for Farm Credit System loans as long

as some portion of the raw product continues to come from the on farm production.

Uses of soil and water conservation loan programs are more clearly specified.

TITLE XIV—RESEARCH

General provisions

The Federal role in agricultural research and extension policy is set forth, defining the primary purpose, specific purposes, and program emphasis of the Agricultural Research and Extension system. To assist USDA in establishing research priorities, this title restructures and clarifies the mandate of the Joint Council on Food and Agriculture Sciences and the National Agricultural Research and Extension Users Advisory Board and establishes a new Agricultural Science and Technology Review Board.

The general authorizations of appropriations for the Agricultural Research Service (ARS), the Cooperative State Research Service (CSRS), and the Extension Service (ES) are significantly increased. The authorization for facility construction at 1890 schools is extended in order to complete projects underway and agricultural experiment station facilities funding is reauthorized.

Ground water

Subtitle B of this title establishes USDA as the principal Federal agency responsible for agricultural ground water policy research and education and addresses the agency's coordination and management of ground water research and extension. An Office of Ground Water Policy Coordination is created. The development of a comprehensive 5-year National Agriculture Ground Water Plan is required. The ES is directed to educate farmers and homeowners on ground water management. The Soil Conservation Service (SCS) is instructed to work with the ES and the ARS to study how best to coordinate ground water management practices with soil conservation practices. A National Agriculture and Ground Water Clearinghouse on ground water information at the National Agricultural Library is established.

Authorization levels are adjusted to account for USDA research already underway on ground water as well as to provide adequate authority to undertake new responsibilities. The role of the Ground Water Office Director vis-a-vis the Secretary is clarified in order to ensure that the Director works within the existing agency structure. The pesticide and nutrient management research programs are combined and new guidance is provided on applicator education. Well water testing and manure management are included among the research directives.

National competitive grants initiative

Subtitle C authorizes a major expansion of the competitive grants program as recommended by the National Academy of Sciences: $150 million in fiscal year 1991; $250 million in fiscal year 1992; $400 million in fiscal year 1994 and fiscal year 1995. Six high priority research areas are identified. All grant proposals are subject to a peer review panel and an advisory review panel and shall

contain a technology assessment to ensure that the proposal meets U.S. agricultural research priorities.

Sustainable agriculture research and development

Subtitle D replaces the 1985 Agricultural Productivity Act, known as the Low-Input Sustainable Agriculture (LISA) program. This new language reflects the current administration of the LISA program and mandates greater farmer involvement. A new State-Federal matching grants program to support sustainable agriculture is authorized. The ES is required to develop technical guides for low-input sustainable agriculture and to establish a national training program in sustainable agriculture to provide education and training for ES agents and other professionals in sustainable agriculture. ES agents may advise farmers on pesticide use that is lower than label rates, provided that research results indicate such use is feasible. A biotechnology risk assessment research program is established to provide needed research to aid regulators in making timely and correct decisions.

Miscellaneous provisions

Several miscellaneous provisions are included. The Animal Welfare Act is amended to prevent the theft of dogs and cats for use in research.

TITLE XV—FORESTRY

The forestry title expands USDA assistance programs for State and private forestry. These programs provide land owners greater incentives to manage their forest lands for a wide range of economic, environmental, and social benefits. State and private forest management is comprised of cooperative Federal, State, and individual partnerships.

The Rural Forestry Assistance Program expands technical assistance authorities beyond timber, insects, and disease to recreation, fish and wildlife, aesthetics, and other forest uses.

The Forest Stewardship Program authorizes $25 million to bring 25 million acres of private forest land under voluntary forest management. Management decisions are based on landowner objectives. A Forest Stewardship Incentives Program enhancing financial incentives for multiple use management practices on private lands is established to help meet the goals of the Forest Stewardship Program. A Forest Legacy Program is established to protect, through easements, environmentally sensitive forest lands that are threatened by conversion to alternative uses. These three programs require cost sharing with State, local, nongovernmental organizations and the landowner to allow a wide range of forest management activities including timber management.

Existing insect and disease assistance programs are expanded to include assistance for manmade causes such as air pollution. Integrated pest management programs, forest health monitoring programs, and emergency insect and disease funding, are also established.

TITLE XVI—ORGANIC CERTIFICATION PROGRAM

National organic production standards are established as well as a system of certification to ensure that those standards are met. A USDA "organically produced" label is provided for products that meet the standards set forth in this chapter. Such standards include a 3-year farming period during which time no prohibited substances are used on the land. Individual States may adopt additional organic standards, but may not discriminate against federally certified products from other States. Certifying agents, either private individuals or State government employees will be accredited by USDA and will inspect farms and handling operations. A National Organic Standards Board, consisting of 13 members, is established to advise the Secretary on organic standards and to propose items to be included on the National List. The National List defines the substances that are found to be harmful to human health and the environment, including natural and synthetic compounds.

A National Advisory Committee, consisting of 15 members, is established to advise the Secretary and the House and Senate Committees on Agriculture on whether a national promotion program for organic production should be established. This Committee is terminated after 3 years. A pilot labeling program is established to judge consumer and farmer reaction to a "transition to organic" label for food grown on organic farms that have not met the 3 year time requirement for the USDA "organically produced" label. The Secretary is authorized to conduct research specific to organic production including research on the toxicity of natural materials used in organic production.

TITLE XVII—FRUITS AND VEGETABLES

The Secretary will be required to conduct a study and report on the domestic fruit and vegetable industry, including the adequacy of the labor supply, crop insurance and disaster assistance, scientific and technological advances, chemical use, labeling and nutrition education programs affecting fruits and vegetables.

The list of imported fruits and vegetables which must comply with grade, quality, size and maturity regulations established for U.S. grown fruits and vegetables under domestic marketing orders is expanded, during the period the marketing orders are in effect, to include kiwifruit, nectarines, plums and pistachios. The legislation also requires the Secretary to study and report on market enhancement assistance, and to recommend new or improved programs, and to assist domestic fruit and vegetable producers in increasing production and expanding markets.

The Secretary will establish a voluntary program, in cooperation with FDA, through which food may be labeled as "Grown in the United States," or "Made of Ingredients Grown in the United States."

The Secretary will establish a program to certify laboratories that conduct residue testing or make claims to the public or buyers of agricultural products about chemical residue levels on such products.

Pesticide Export Reform Act of 1990

The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) is amended to prohibit the export of any pesticide that is not registered in the United States and has no food tolerance. In addition, if the pesticide for export is for use on food, it must be registered for use on food in the United States or have a food tolerance.

Several categories of chemicals will be subject to a prior informed consent (PIC) system including: pesticides under special review that have been proposed for cancellation; restricted use pesticides; the World Health Organization list of Class 1A or 1B hazardous pesticides; and pesticides which are the subjects of cancellation or suspension proceedings. Under PIC, countries would receive information concerning pesticides and could refuse future shipments of a pesticide, provided the country does not import or manufacture that pesticide.

If a pesticide's registration is canceled due to public health concerns, the tolerance or exemption for that particular pesticide is revoked. If the registration of a pesticide for use on an agricultural commodity is suspended, the Administrator shall suspend the tolerance for such use. The Administrator may delay the effective date of a revocation or suspension under certain circumstances. In addition, the Administrator may not grant a tolerance for a pesticide use unless there is a practical method for detecting and measuring residues of the pesticide.

The Administrator may temporarily waive the prohibition against the export of certain pesticides if it is essential to protect public health or to prevent famine. The export of unregistered pesticides for research or experimental use is allowed under certain limited conditions.

Chemical manufacturers are required to provide the Administrator with information on pesticides intended for export. Labels must be written in an official language of the country of use.

The Administrator must also transmit notices of significant regulatory changes in the status of pesticides to the appropriate agencies of foreign governments and the office responsible for the International Register of Potentially Toxic Chemicals.

Customs shall notify the Administrator of the arrival of active ingredients, as well as pesticides and devices imported to the United States.

Title XVIII—Grain Quality

Economic value to the intermediate and end user is established as a policy goal for grain standards. Grain grading No. 3 or better must be as clean and as economically and commercially practical to enhance competitiveness (subject to consideration of technical constraints, economic benefits and costs, and levels met by competitors). Exported grain shall be loaded according to a plan that favors neither the seller or buyer. Grade-determining factors and factor limits shall reflect levels of soundness and purity consistent with satisfactory end-use performance. Federal Grain Inspection Service (FGIS) is authorized discretion to prohibit contamination of sound and pure grain through introduction of nongrain substances, toxic grain, or unmerchantable grain. FGIS shall establish list of ap-

proved testing equipment, develop inspection procedures, and implement a voluntary inspection certification program for country elevators.

Establishment of entry standards and management practices are required for grain stored under the farmer owned reserve to maintain quality. Commodity Credit Corporation (CCC) commodity loan programs shall offer premiums for improved cleanliness of grain. Grain stored by CCC shall meet minimum quality standards. Quality assurance is achieved by utilizing FGIS approved procedures to inspect grain acquired and owned. CCC activities shall, when practical, promote quality in the production and marketing of crops and livestock.

Title XIX—Related and Miscellaneous Matters

A. Alternative agricultural research and commercialization

Subtitle A authorizes a new research and commercialization assistance program to promote the development and commercialization of nonfood, nonfeed agricultural and forestry products and processes. A wholly owned, nonprofit government corporation is established within USDA, named the Alternative Agriculture Research and Commercialization Corporation (AARCC). AARCC is authorized to provide financial assistance in support of new products. Regional centers are established to carry out the AARCC's activities. A State qualifies for a Regional Center if it demonstrates the ability to develop a partnership between the private and public sector and universities to commercialize new industrial products made from agricultural commodities.

AARCC is run by a Board of Directors. The Secretary appoints five of the nine members of the Board and has final veto decision on all projects.

B. Global climate change prevention

Subtitle B parallels S. 1610 approved by the Committee and passed by the Senate earlier this year. An Office of Climate Change is established under the Secretary to serve as the focal point for global change activities within USDA. A specific research agenda to examine the effects of global warming on forests and agricultural crops is established including research to assess whether agriculture might be contributing to global warming and to determine the ways in which forests and agricultural practices offer potential for limiting emissions.

BACKGROUND AND NEED

HISTORY AND JUSTIFICATION FOR GOVERNMENT FARM PROGRAMS

Farm commodity policy is linked to other high priorities for the Nation—preservation of our abundant natural resources, the role of the United States in world trade, our ability to provide food at reasonable prices to consumers, and to assist the needy at home and abroad. The globalization of our economy and its agricultural sector further challenges us to develop policies that will add stability to agriculture while attaining these goals.

These goals have been restated and refined over six decades. Like Social Security, our national food security legislation rose out of a period of crisis. Congress began to forge a national farm policy in the 1930's, when more than a decade of economic decline in agriculture coincided with the Great Depression to cause dislocation and suffering in rural America. Farm prices fell more than 50 percent between 1929 and 1932, surpluses ballooned, exports dropped due to the weakened buying power of the United States' trade partners after World War I and U.S. protectionist legislation, and the prices of goods and services that farmers had to buy remained high relative to the prices they received for their commodities.

At the same time, Congress recognized that there were several characteristics unique to agriculture that demanded a national farm policy. First, U.S. farms generally have a productive capacity that far exceeds domestic demand. Second, for a number of reasons, the farm sector is marked by cycles of overproduction and low prices followed by short supplies and higher prices. Third, individual farmers cannot influence prices because farm commodities are generally the same regardless of where they are produced, and each farm's output accounts for only a small part of total production. These characteristics persist today.

Agriculture is also subject to many unpredictable and uncontrollable forces. Droughts, hail, freezes, and floods can quickly change the farm economic picture on the local, regional, and national levels—as the droughts of 1988 and 1989 so clearly illustrated. Changes in national and global economics and politics—having nothing to do with agriculture per se—can have both immediate and long-term effects, particularly on U.S. exports. Finally, developments in agricultural technology can have dramatic impact over time on the size, number, and type of farms.

Agricultural commodity policy

The Agricultural Adjustment Act of 1933 was the first major piece of legislation to try to account for these factors. Its goal was to lend stability to the farm sector by establishing extensive supply management and income support programs. The latter were based on the concept of parity, a term for the complex exchange relationship between agriculture and the farm input industry (or, later, the relationship between the incomes of farm and nonfarm residents), based on the notion that a unit of product should enjoy the same purchasing power it did in 1910–14.

After the Supreme Court invalidated the production control provisions of the 1933 Act, Congress passed a second Agricultural Adjustment Act in 1938. This law provided for a combination of acreage allotments and marketing quotas to achieve supply control, in addition to price supports.

The Agricultural Act of 1949 amended the 1938 Act to establish a permanent authority for parity-based price supports. However, since 1973, Congress has amended the 1949 Act regularly with legislation that expires after 4 or 5 years. Farm programs under these expiring authorities have become quite different from the parity-based programs of the 1930's and 1940's.

Beginning with the Food and Agriculture Act of 1965, Congress consolidated all the short-term, single-commodity provisions of past

years into 1, 4 or 5 year omnibus farm bill. The 1965 Act also introduced a more market-oriented policy for some commodities, setting price supports for wheat, feed grains, and cotton close to world levels to permit market forces—particularly foreign demand—to determine real values and price levels. Supply control was provided through voluntary programs.

The Agriculture and Consumer Protection Act of 1973 carried the move toward an omnibus farm bill a step further, incorporating Public Law 480 (Food for Peace), and trade, soil conservation, and food stamp provisions. The Act also instituted target prices and deficiency payments as the primary means of Federal Government support for agriculture. (Target prices are price levels guaranteed by the Federal Government, and deficiency payments are made to qualifying farmers whenever market prices fall below target prices.)

Farm bills were enacted in 1977 and 1981 to counter depressed prices that were attributable to overproduction lingering from the export boom era of the mid-1970's. Congress and the administration also anticipated that inflation would remain high. Although prices and exports improved somewhat between 1978 and 1980, the early years of the new decade found the farm sector reeling from a series of unfavorable events—rising interest rates on loans, high inflation in farm inputs, worldwide recession and a strong dollar, a grain embargo against the Soviet Union, and recurrent drought.

By 1985, when it was time for another omnibus farm bill, the farm sector was suffering a serious economic recession. Commodity prices and farm incomes were down, and carryover inventories were reaching record levels. Farmers and agricultural lenders were in the midst of a debt crisis brought about by a precipitous decline in land values. At the heart of the problem was a dramatic drop in America's agricultural prices and exports, caused in large part by macroeconomic factors outside the control of agriculture, as well as by uncompetitive price support levels in some cases.

Resource conservation policy

Although national agricultural commodity support policy has always been the cornerstone of farm legislation, other agriculture-related concerns have almost as long a legislative history. Among the first of these is resource conservation.

In the spring of 1935, when dust darkened the skies from the Great Plains to the Nation's eastern shores, Congress began work on the Soil Conservation and Domestic Allotment Act, establishing soil and water conservation as a national policy (the Act was finally signed into law in early 1936). The Act provided for the U.S. Department of Agriculture (USDA) to pay farmers for voluntarily shifting acreage from soil-depleting surplus crops into soil-conserving legumes and grasses.

The Act was reenacted as part of the Agricultural Adjustment Act of 1938, along with a special program for farmers in 10 States who retired land deemed unsuitable for cultivation. This early merging of conservation and commodity initiatives established farm legislation as an important means for advancing resource conservation, while acknowledging that conservation and supply control goals are frequently related.

Prior to the farm bill debate in 1985, analyses of new natural resource data showed that despite intensive efforts, both erosion and wetland conversions were still occurring at unacceptable levels. In consequence, Congress passed several landmark conservation provisions in the Food Security Act of 1985. The Conservation Reserve Program (CRP), which pays farmers to retire highly erodible land from production for at least 10 years, and conservation compliance, sodbuster, and swampbuster provisions, which make producers ineligible for most Federal farm program benefits if they improperly cultivate highly erodible land or convert wetlands to cropland, represented the most significant changes in conservation legislation in 50 years.

International trade and food aid

Along with price support and soil conservation policies, agricultural trade policy grew out of the Great Depression as well. Congress was concerned lest agricultural imports undermine the price support and supply control provisions of the Agricultural Adjustment Act of 1933. At the same time, it recognized that increased exports of U.S. commodities would help to reduce domestic supplies, which would, in turn, help keep prices up. Broad authority was therefore given to the Commodity Credit Corporation (CCC) to "stabilize, support, and protect farm income by exporting . . . or aid[ing] in the development of foreign markets for commodities." (An Executive order created the CCC to be the financial institution to carry out the income provisions of the 1933 Act 5 months after it became law.)

Also in 1935, Congress sought to counteract possible injurious imports by amending the 1933 Act to add section 22, the first nontariff legislation for the general regulation of agricultural imports. Section 22 has been revised several times, but continues to assure that imports not interfere with domestic farm programs by authorizing the President to impose import fees or quotas, if deemed necessary. These two longstanding authorities—the CCC and section 22—remain the foundation of current U.S. agricultural trade policy.

In 1954, Congress added an important dimension to export promotion with the passage of Public Law 480, the Agricultural Trade Development and Assistance Act, commonly known as the Food for Peace program. A post-World War II decline in demand and farm income was the primary cause behind this law authorizing CCC sales of farm products for foreign currency, emergency food relief, and barter of CCC commodities for strategic materials.

Public Law 480 has been the principal authority for American food aid for almost four decades and its general direction has largely been unchanged. Not only has the program been of major importance in developing new markets for U.S. commodities abroad, it has also aided the economies of developing countries and fed the hungry in more than 100 countries. Since the program's inception, an estimated 300 million tons of food products, worth over $40 billion, have been delivered to hungry people under this program.

The Food Security Act of 1985 mandated a minimum value of export sales under export credit guarantee programs, and established a bonus program to enable exporters to sell U.S. agricultural

commodities overseas at lower and presumably more competitive prices. In addition, Congress acknowledged the importance of export markets for the U.S. farm economy by making changes in the domestic commodity programs to increase the competitiveness of U.S. farm products.

CURRENT AGRICULTURAL SITUATION

The Food Security Act of 1985 has generally had a positive effect on the U.S. agricultural economy, as U.S. macroeconomic policy, monetary exchange rates, and other countries' trade and farm policies meshed with the Act's policy adjustments for a positive cumulative effect. However, it is impossible to say exactly how much of the recent progress can be attributed to changes in agricultural legislation versus other factors, according to a recent report of the U.S. General Accounting Office. The droughts of 1988 and 1989, which inflicted real suffering on many farms and ranches, nevertheless resulted in higher commodity prices, reduced stocks, and lower government program costs.

Farm income

The overall farm income situation has shown some improvement since enactment of the Food Security Act of 1985. The net cash farm income of the U.S. farm sector in 1985 totaled $47 billion ($42 billion in 1982 dollars). In 1989, the net cash farm income on U.S. farms is estimated to have totaled $53 billion ($42 billion in 1982 dollars). However, these figures can be misleading.

The improvement in total farm income since 1985 masks some significant variations within the farm sector. Virtually all of the modest improvement in farm income since 1985 has occurred in the livestock sector. Cash receipts for food and feed grains, cotton, oilseeds, and dairy—the major price-supported commodities covered by this legislation—fell 6.5 percent from $66 billion in 1985 to $61 billion in 1989. Government payments to offset this decline in market receipts were only $2 billion higher in 1989 compared to 1985. Adjusted for inflation, cash receipts and Government payments for price-supported commodities declined by nearly 15 percent from 1985 through 1989.

Net farm income is very sensitive to very small changes in farm production costs, farm commodity prices and Government payments. It is, therefore, extremely difficult to forecast accurately. In 1989, a $4 billion gain in livestock and livestock receipts was more than offset by an $8 billion increase in production expenses and a $3.5 decrease in Government payments compared to 1988. According to a recent study by the Food and Agricultural Policy Research Institute (FAPRI), production expenses are projected to increase 3 percent to 4 percent annually, while farm marketing receipts increase by about 2 percent, throughout the 1990's. The FAPRI analysis suggests that net farm income can be maintained at the $44 billion to $45 billion level, if Government payments are continued at an annual rate of about $10 billion. However, as noted above, net farm income forecasts, while useful, must be evaluated in light of their inevitable limitations.

Balance sheet of agriculture

The financial health of the farm sector, as reflected in its balance sheet, has improved since enactment of the Food Security Act of 1985. Farm debt totaled $175 billion in 1985. Total farm debt declined nearly 2 percent between 1988 and 1989 to an 11-year low of about $136 billion. The reduction in debt was accomplished through loan write-offs, liquidation of assets, and loan repayments without a corresponding increase in new borrowing.

Most of the recent declines in farm debt have been in real estate loans, corresponding in part to declining farm real estate values. Although farmland values rose for the third consecutive year in 1990 to $693 per acre, nominal land prices remain 3 percent below 1985 levels and 16 percent below the peak of $822 per acre in 1982. In inflation-adjusted terms, farmland values have declined 18 percent since 1985.

Lower debt has reduced the burden debt service places on farm income and also provided farmers with increased equity for expansion and modernization in the 1990's. In 1985, there was $3.75 of farm debt for each dollar of net cash income; by 1989, this had fallen to $2.56 of debt per dollar of cash income.

Structure of the farm sector

The decade of the 1980's was a difficult one for the farm sector. Between the agricultural censuses of 1982 and 1987, the number of farms declined by 153,000 or about 7 percent. The largest rates of decline were in the size categories for farms between 50 and 499 acres. The average size of a farm increased by 22 acres to 462 acres during this 5-year period. Although the number of farms declined in the 1980's by a lesser annual percentage than in the 1960's and 1970's, it is likely that more of the farm losses in the 1980's were due to financial stress than in earlier decades.

Agricultural exports

About one-third of the rice, feed grains, and soybeans, and nearly two-thirds of the wheat grown on U.S. farms are sold for export. Declining export markets for U.S. farm commodities were a major concern during the 1985 farm bill debate, and exports have risen over the last 4 years. The value of agricultural exports totaled $39.7 billion in fiscal year 1989; this represented a 51 percent recovery from the 9-year low of $26.3 billion reached in fiscal year 1986. The USDA estimates a small rise in the total value of 1990 agricultural exports to $40 billion and FAPRI forecasts little or no growth in the value of exports through fiscal year 1994.

Resource conservation

In the area of resource conservation, the achievements of the 1985 Act are easier to measure. Almost 34 million acres have been enrolled into the Conservation Reserve Program. Erosion has dropped from 21 to 2 tons per acre per year, on average, on enrolled acres, according to USDA estimates. This program has reduced erosion by 655 million tons per year, more than 20 percent of all erosion from cropland.

The effects of the 1985 Act's sodbuster, swampbuster, and conservation compliance provisions will take longer to evaluate, because key aspects of these programs, such as individual farm conservation plans, are just beginning to come into operation. Nonetheless, USDA has estimated that the conservation compliance program alone could match the gains under CRP, by eliminating 20 percent of the soil erosion on cropland—or 600 million tons per year. Roughly 5 million acres of wetlands identified as having high or medium potential for conversion to cropland could potentially be protected by the swampbuster provision.

Farm program costs

The lower crop yields brought on by the 1988 drought have increased market prices, reduced deficiency payments, and sharply lowered CCC crop inventories. As a result, net outlays of the Commodity Credit Corporation (CCC) for farm commodity programs fell to $10.5 billion in fiscal year 1989 and are expected to total $8.2 billion for fiscal year 1990, the lowest annual outlays since 1984.

With a return to normal weather, CCC outlays for fiscal year 1991 are projected to total $10.6 billion. This represents a decline of nearly 60 percent from fiscal year 1986, the first year affected by the Food Security Act of 1985. CCC inventories of price-supported commodities were valued at $6.9 billion on October 1, 1985, rose to $11.7 billion in 1987, and are now projected to decline to $2.9 billion at the close of fiscal year 1990.

Farm program costs in coming years, assuming a continuation of current policy, are likely to remain between $9 and $11 billion. While significantly above average spending levels during the 1970's, these amounts are well below expenditures of recent years.

GOALS AND PRIORITIES

A fundamental goal of farm policy has been to stabilize farm income and to reduce the disparity in income between farm families and those employed in other sectors of the farm economy. Farm commodity prices and the cost of production are frequently affected by events outside the control of farmers. As a result, farm income can change suddenly from year to year with disastrous results on the well-being of farm families and the viability of their farm businesses. This bill, in addition to providing a reasonable degree of income protection, allows farmers increased flexibility to respond to changing market conditions.

American consumers of food and fiber also have an important stake in farm policy. Without a healthy and stable farm sector, owned and controlled by independent family farmers, the food security of the American public is at risk. In addition to producing a dependable supply of food at a reasonable cost for consumers, American farmers produce safe and nutritious food, while at the same time protecting the rural landscape on which they live and earn their living. Family farmers are the stewards of our Nation's soil and water resources. This is why both food quality and safety, along with protection of water and soil are major priorities in this legislation.

Farmers, like all other American citizens, are concerned about the long-run productivity of our agricultural resource base. While there is certainly a role for the proper use of fertilizers and pesticides in the production of food and fiber, farmers are the first to recognize the wisdom of using these inputs wisely. A major priority in this legislation is to ensure that our agricultural research and extension education systems provide our producers with the information and technology that will provide alternatives to the use of nonrenewable resources. This information, along with new program provisions allowing for greater planting flexibility and expanded participation in a Conservation Stewardship Program, will ensure the continued productivity and profitability of the farm sector in the years ahead.

Steps were taken in the 1985 legislation to make U.S. farm products more competitive in world markets. Export competitiveness remains a priority throughout the commodity provisions of this legislation. The grain quality provisions of this legislation take additional steps to improve the competitive position of U.S. grain in international and domestic markets while at the same time provide incentives to producers of high-quality grain.

All of these priorities have been constrained by the budget realities that overshadow all Federal policymaking. Although the cost of Federal farm programs have declined throughout the life of the 1985 legislation, the Committee is sympathetic to the need for continued fiscal responsibility and believes that this legislation is fiscally responsible in light of the important national priorities that it addresses.

EXPLANATION OF TITLES

TITLE I—DAIRY

BACKGROUND

The importance of the dairy industry

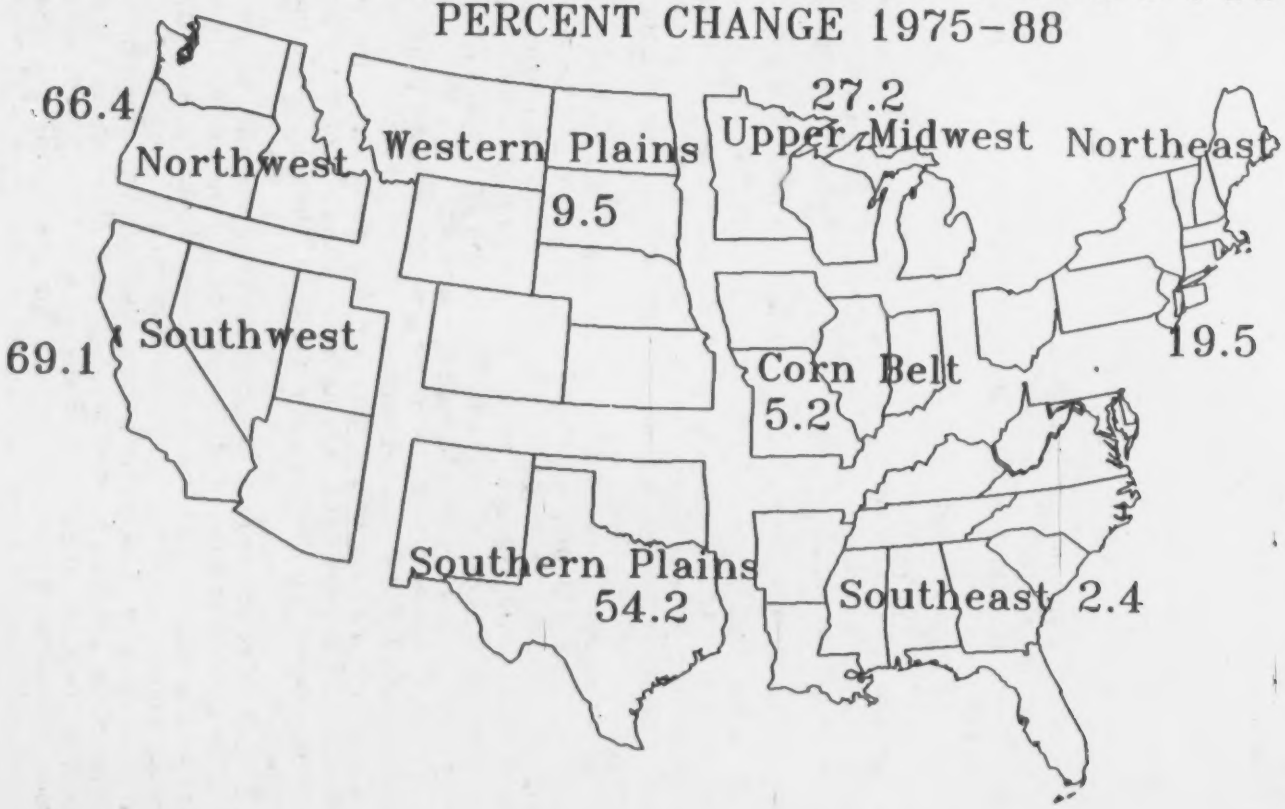
Dairy farming is an important part of American agriculture. In cash receipts, it ranks second only to cattle and calves with total cash receipts of nearly $18 billion by the end of the 1980's.

Although milk is produced in every State, over half of total U.S. milk production in 1990 came from Wisconsin, California, New York, Minnesota and Pennsylvania.

The significance of the dairy industry has varied regionally over the years. One hundred years ago, New York was the leading milk producing state. Fifty years ago, Wisconsin was in first place, and California was barely in ninth place. Wisconsin is still the leading milk producing state today, but California is rapidly challenging that position. This shift in dairy production to the West and Southwest has dramatic implications for the entire dairy industry.

REGIONAL CHANGES IN MILK PRODUCTION

PERCENT CHANGE 1975-88



The U.S. dairy industry is less regulated than dairy industries in many other developed countries. While the price support program does provide a floor on dairy income, the dairy industry is becoming more market sensitive and is responding to new consumer demand for lower fat dairy products.

The importance of milk in the diet

Milk products are a vital part of the human diet. They contain high quality proteins as well as a variety of important minerals. The whey proteins constitute about 18 percent of the protein content of milk. Casein, a protein found only in milk, contains all of the essential amino acids. It makes up 82 percent of the total proteins in milk. Protein is needed to build and repair body tissues and to form antibodies which circulate in the blood and help fight infection.

Milk also contains calcium, phosphorus, magnesium and potassium. The calcium found in milk is readily absorbed by the body and is essential for bone strength. In adults, a calcium deficiency may result in osteoporosis. Almost 80 percent of the calcium available in the fluid food supply is provided by milk and milk products.

Dairy price support program and federal milk marketing orders

Given the importance of dairy to the farm economy and in the diet of Americans, the Federal Government attempts to protect farmers from price declines that might force them out of business, and to protect consumers from seasonal imbalances in supply and demand.

The government role in dairy policy dates back to legislation enacted in the 1930's and 1940's. The Agricultural Marketing Agreement Act of 1937 provided for classified pricing and revenue pooling in fluid milk markets under Federal milk marketing orders. The Agricultural Act of 1949 established the permanent program of diary price supports and is still part of the law.

The key components of the dairy program are the price support program and Federal market orders.

The dairy price support program puts a floor under the price of manufacturing grade milk through the purchase of dairy products (butter, cheese, and nonfat dry milk) by the CCC at announced prices.

The dairy price support program does not set milk prices directly. The farmer is supported through CCC's purchase of manufactured dairy products at prices set to enable handlers to pay farmers an amount, on the average, no less than the support price. The price actually paid to farmers for manufacturing grade milk is determined in the open market and is free to move above the support level, in response to supply and demand, but will not readily move below the support price. Manufacturing grade milk prices are collected and reported by the USDA as the Minnesota-Wisconsin (M-W) price series.

During periods of overproduction, stocks are accumulated and stored by the CCC. During periods of declining milk production, these stocks are available for resale into commercial channels, thus preventing disruption in supply and fluctuation in price. This has served to benefit both producers and consumers.

In addition to the price support program, about 80 percent of all milk is regulated by one of the 41 Federal milk marketing orders whose classified prices are influenced by the M-W.

The basis legislation of Federal milk marketing orders is the Agricultural Marketing Agreement Act of 1937 and the previous Agricultural Adjustments Acts of 1933 and 1935. The purpose of the orders were to establish and maintain orderly marketing conditions for agricultural commodities in interstate commerce, establish parity prices for farmers, protect the interest of the consumer, and avoid unreasonable fluctuations in supplies and prices.

Under Federal milk marketing orders, milk is priced according to how it is used at processing plants. Milk sold for fluid use is in the highest price class (Class I) while milk used in manufactured products is in lower priced classes. Class I prices vary from order to order depending on the distance from the M-W region, but all are based upon the M-W series price.

Consequently, producers benefit from the price support program even though little or none of their milk might be actually purchased by the CCC, and they benefit from the market order protections in a regional area.

Recent legislation

Prior to 1977, Section 201 of the Agricultural Act of 1949 required the support of the price of manufacturing-grade milk at a level between 75 and 90 percent of parity (as determined by the Secretary of Agriculture) as would assure an adequate supply of milk, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet future needs. Parity is a measure of the relative purchasing power of farm products and is defined by law (7 U.S.C. 1301 (1)). The Food and Agriculture Act of 1977 raised the minimum support level for two years from 75 to 80 percent of parity and required the support price to be adjusted semiannually. In 1979, these provisions were extended for an additional two years.

In 1981, Congress acted in response to the overproduction of dairy products and the rising cost of the dairy program. In April 1981, the semiannual price increase, required under the 1979 legislation, was suspended. Enacted in December 1981, the Agriculture and Food Act of 1981 set the support price at $13.10, the level at which it had been since October 1980.

This was a major departure from prior price support policy because it removed the linkage between the price support level and the parity index. The Act set the minimum support at this level and permitted modest annual increases to predetermined levels if CCC purchases failed to decline to stated levels. However, the 1981 Act authorized a return to a minimum of 70–75 percent of parity when CCC purchases dropped below specified amounts.

To meet continuing overproduction, the provisions of title I of the Omnibus Reconciliation Act of 1982 were enacted. This act froze the support price at the level it had been since October 1980 and the Secretary was granted authority to assess farmers to directly help offset some program costs. Producers who reduced their commercial marketings were eligible to receive a partial refund of the assessment.

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In spite of these actions, milk production continued to expand. In November 1983, the Dairy Production Stabilization Act of 1983 was passed. This law combined: (1) decreases in the price support, (2) a mandatory promotion program funded completely by producer assessments, (3) and a milk diversion program. The diversion program offered cash payments to producers to market between 5 and 30 percent less milk than they had during a historical base period.

The diversion program, along with strong commercial sales, was successful in reducing CCC purchases from a record 16.6 billion pounds to 10.4 billion pounds in fiscal year 1984. Although these actions resulted in levels of production and CCC purchases lower than would have been expected without the program, the declines were not permanent. Instead, a variety of events aggravated the overproduction including lower feed prices, declining value of cull cows, absence of profitable non-dairy employment alternatives for producers, and a stagnation of demand for dairy products. In fiscal year 1985, CCC purchases increased to 11.5 billion pounds, milk equivalent (milkfat basis).

To respond to the continuing overproduction problem, Congress established a new direction for the 1985 Food Security Act which was signed into law on December 23, 1985. The Food Security Act of 1985 included the following key provisions:

—The support price was continued at $11.60 per hundredweight for calendar year 1986 and established at $11.35 for the period January 1 through September 30, 1987, and $11.10 for the period October 1, 1987, through December 31, 1990, unless changed by the mandated supply-demand adjuster.

—A supply-demand pricing mechanism was created to further adjust the support price level. This trigger mechanism required the Secretary to increase or decrease the support price level based on the estimated levels of future CCC purchases. On January 1 of 1988, 1989, and 1990, the Secretary was instructed to reduce the support price by 50 cents per hundredweight if net calendar year CCC purchases were projected to exceed 5.0 billion pounds, milk equivalent, or increase the support price 50 cents if net purchases were projected to be at not more than 2.5 billion pounds milk equivalent. The reductions in the support price were not to occur unless the milk production termination program achieved a reduction in production by program participants of at least 12 billion pounds, or a certification by the Secretary that reasonable offers were made to achieve that reduction, but were not agreed to by producers.

—An 18-month voluntary dairy termination program (or whole-herd buyout) was established beginning April 1, 1986, under which producers exported or slaughtered their entire herds in exchange for payment. Producers interested in participating in the program submitted bids for payment they were willing to accept in return for their participation. If their bid was accepted, producers were required to cease dairying for 3, 4, or 5 years, as specified in their contract, slaughter or export their dairy cattle, and idle their dairy facilities. The program was funded through deductions of $.40 per hundredweight of milk marketed by all farmers from April 1 through December 21, 1986 and $.25 per hundredweight from January 1 through Sep-

tember 30, 1987. The law included provisions intended to minimize the adverse effect of the program on beef, pork, and lamb producers.

—The minimum adjustments for fluid milk under Federal milk marketing orders were changed. Under the legislation, the minimum aggregate adjustment for Class I, or fluid milk, was raised in 35 of the 44 orders in existence at the time for a period of two years. The increased prices were to remain in effect unless modified by an order amendment.

—A National Commission on Dairy Policy was established. The Commission was to: (1) investigate new technologies that will affect the dairy industry; (2) forecast changes in the structure of the dairy industry that will be caused by these innovations; and (3) consider revisions to the price support program in light of these projections. The Commission was to report to the Congress by March 31, 1987, with the results of the study and recommendations.

Industry conditions since 1985

The Nation struggled with burdensome milk surpluses during the early and mid-1980's. Since 1988, several factors have combined to limit U.S. production increases and also lower program costs. First, the Dairy Termination Program (DTP) resulted in the slaughter or export of approximately 1.5 million head of dairy cattle. It should be noted that a 1989 study by the General Accounting Office (GAO) concluded that the DTP reduced milk production by 39.4 billion pounds, from 1986 through 1990, and CCC purchases by 38.1 billion pounds. The net savings to the government, as estimated by the GAO, amounted to $2.4 billion. This program was successful in reducing CCC purchases to 5.4 billion pounds in fiscal year 1987. However, the purchases rebounded to 9.7 billion pounds, on a milk fat equivalent basis, in fiscal year 1988.

Second, the Nation experienced the most severe drought since the 1930's. Reduced forage production, and the resulting inadequate forage supplies, combined with relatively high grain and concentrate prices forcing dairy farmers to further reduce dairy cattle numbers, particularly in the Upper Midwest.

Third, a late spring, poor hay harvesting conditions, and insect-damaged alfalfa in major dairy regions (the Upper Midwest and the Northeast), led to poor forage quality for 1989–90.

This lower forage quality has meant lower milk production per cow in several dairy States. The combination of fewer milk cows from the DTP and poor milk production performance per cow resulted in milk production in 1989 falling about 1 billion pounds below the 1988 level.

Fourth, since 1983, commercial milk sales have been favorable, led primarily by excellent cheese sales growth of about 4 to 5 percent per year. U.S. demand for dairy products increased sharply during the early and mid-1980's. The price support reductions since 1983 have helped make milk and other dairy products more attractive when compared with other consumer foods. However, record high milk prices during 1989 contributed to a slight drop in commercial use of milk compared with 1988.

The combination of stable milk production nationwide and actual reduction in milk production of 3 to 4 percent in Wisconsin and Minnesota, along with favorable milk sales, produced record milk prices in 1989. Reduced milk supplies, in conjunction with excellent cheese sales, resulted in very intense milk plant competition in these two states driving the M-W price series to record levels. The M-W in early 1990 was over $5.00 higher than the support price.

Despite the absence of a general milk surplus and record high milk prices, the Secretary reduced the support price on January 1, 1990 by 50 cents, to $10.10. Because the CCC was expected to continue purchasing insignificant levels of cheese (36 million pounds in 1989) and even less amounts of nonfat dry milk, the price support decrease was driven singlehandedly by expected butter purchases.

Although the surplus milk problem has largely been temporarily alleviated, burdensome CCC milkfat purchases are now plaguing the industry. Total CCC purchases and costs have declined since 1988 and the composition of the purchases has changed dramatically. Between 1984 and 1987, the CCC purchased more cheese and nonfat dry milk than butter. In 1988, a shift in CCC purchase patterns began to occur. In 1989, CCC purchased 414 million pounds of butter, only 36 million pounds of cheese, and no nonfat dry milk. This shift in purchases was the result of (1) decrease in domestic nonfat dry milk supplies; (2) a strong domestic market for cheese; and (3) poor domestic and international butter markets. Nonfat dry milk supplies have decreased due to a combination of increased export opportunities and a 40 percent reduction in U.S. nonfat dry milk production since 1984. The strong domestic cheese market has resulted in increased prices for cheese and, consequently, few sales to CCC. These decreases in CCC purchases of nonfat dry milk and cheese have left USDA with minimal, if any, dairy products, other than butter, available for domestic donation feeding programs.

Over the long term, the dairy industry will continue to face a major and growing excess milkfat problem. The trend in consumption of dairy products towards lowfat items will continue. Lowfat cheeses are capturing a larger portion of the market while fat substitutes have been developed for use in other dairy products such as ice cream. In addition, in 1988 lowfat and skim milk accounted for 51 percent of beverage milk sales compared to just 35 percent in 1980. Similar trends are occurring throughout the world, resulting in a worldwide excess milkfat problem.

U.S. dairy industry, 1990–2000

Recent analyses of the U.S. dairy industry indicates that the industry will continue to face the challenge of excess milk and milkfat production. Some of this increase in productivity reflects an ever-increasing adoption of dairy farm technologies such as artificial insemination, Dairy Herd Improvement (DHIA), thrice daily milking, automated feeding, and forage testing. Furthermore, many dairy industry analysts believe the adoption of emerging technologies during the 1990s, such as bovine somatotropin (bST), will result in continued increases in milk production per cow. Such increases in productivity per cow and anticipated low feed prices will likely further reduce milk production costs. These factors, if

combined with scarcity of profitable alternatives in agriculture or in off-farm employment may serve to continue increased milk production. In contrast, commercial sales of dairy products are not expected to increase as rapidly as milk production, unless there is increased promotion and highest consumer demand.

According to a draft report by the Office of Technology Assessment (OTA) entitled, "Impacts of Bovine Somatotropin and Other Emerging Technologies on the U.S. Dairy Industry," the solution to the excess milkfat problem lies in encouraging less milkfat production. Reduced production can be accomplished to a degree, according to the report, through modified feeding practices in the short-term and by breeding for reduced milkfat in the long run. However, pricing incentives must exist for either of these potential solutions to occur, including pricing on the basis of protein or nonfat solids rather than the current practice of pricing on the basis of milkfat as is done in most markets.

New technologies and products generated by both public and private sector research and development will be introduced during the next decade. OTA expects many of these emerging technologies to result in major improvements in milk production, animal reproduction, health, and management. Much of the growth in new technologies will be the result of biotechnology and information technology.

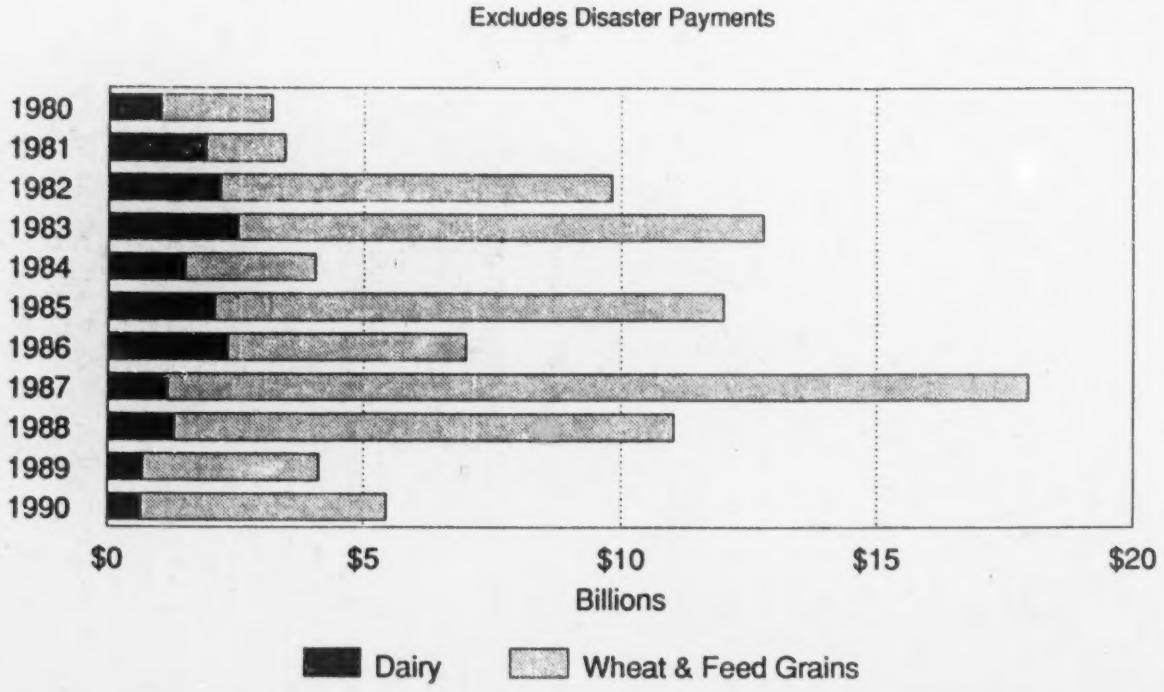
Along with increases in productivity caused in part by new technologies, low feed prices will also further reduce the costs of producing milk. Feed prices and, as a result, the costs of milk production were reduced through the provisions of the Food Security Act of 1985. Since feed accounts for nearly 50 percent of the cash costs to produce milk, feed prices are instrumental in the supply of milk. Total cash costs—feed and nonfeed— declined from $10.39 per hundredweight of milk in 1983 to $9.86 in 1987. Total production costs per hundredweight of milk—cash costs plus economic costs—declined from $12.91 to $11.79 in 1987. Although the 1988 drought caused feed prices to increase significantly, feed prices are expected to remain near those of 1987 for about the next 5 years.

The productivity increases that the industry will experience in the 1990's will be reflected in higher total milk production. However, while commercial sales of dairy products are expected to continue to expand, this growth will not match the pace of milk production increases. Annual net growth in commercial sales of milk over the next 5 years is expected to be slightly less than the projected growth rate in milk production, unless there is new growth in consumer demand.

PURPOSE AND NEED

The dairy title is designed to enhance the current strengths of the dairy industry and to promote future market growth. Over the past 5 years, the record for the Federal dairy programs has been impressive. Government surplus purchases have fallen and net government expenditures on the dairy price support program have decreased from $2.3 billion in fiscal year 1986 to approximately $700 million in fiscal year 1990. Market prices have been firm and general prospects for dairy in the years ahead are good.

CCC Outlays By Commodity
1980 - 1990



Source:USDA, Budget & Program Analysis

In an effort to sustain the current situation, the dairy title includes six key provisions. First, the support price level will be set at $10.10 on January 1, 1991 and may not go below that level for the duration of this legislation. Second, in the 1985 Act, the price support may be increased or decreased based on the levels of projected CCC purchases, at levels above the $10.10 floor. Third, to more accurately reflect the level of CCC purchases on a milk equivalent basis, the CCC purchases will be measured on a total solids basis. Fourth, by July 1, 1991, the Secretary is required to submit to the Congress a study recommending a milk marketing adjustment program to be implemented by the Secretary if CCC purchases are projected to exceed specified levels. Fifth, this title directs the Secretary to implement a replacement for the Minnesota-Wisconsin (M-W) price series. Sixth, a new fluid milk promotion program is established.

NEED FOR THE LEGISLATION

The Senate Committee on Agriculture conducted a number of hearings, both in and out of Washington, on dairy policy. Representatives from the various dairy cooperatives, national farm organizations, dairy processors, and individual farm families testified before the Committee and offered valuable suggestions for future dairy policy.

Provision for a minimum price support level

The Committee believes that a strong market, a basic price support floor at $10.10 as well as adjustments in the government support price, should balance supply and demand for milk and dairy products. The underlying purpose of the dairy price support program is to assure an adequate supply of milk and dairy products at reasonable prices. The program accomplishes this by providing a degree of stability to prices received by farmers for milk, which, in turn, provides a degree of stability to prices paid by consumers for milk and dairy products.

During 1989, dairy farmers received an average price of $13.51 per hundredweight for all milk sold to plants and $12.47 per hundredweight for manufacturing grade milk. The outlook for 1990 currently calls for prices to remain at these levels.

Since the rate of price support for milk refers to milk for manufacturing purposes, market prices for milk just prior to entering the period to which this section applies are approximately $2.50 per hundredweight above support. Therefore, should milk marketings grow relative to commercial use, the resulting surpluses will cause market prices to weaken. Market prices could weaken by as much as $2.50 per hundredweight before the $10.10 per hundredweight minimum rate of milk price support would be reached. The outlook for the cost of producing milk during the period 1991 through 1995 is such that supply/demand balancing levels for market prices are projected to remain well above support levels for the entire period.

In one provision of the Committee's bill, the Secretary of Agriculture is required to make projections of the milk equivalent represented by the quantities of butter, non-fat dry milk and cheese that

the Secretary anticipates will be purchased by the CCC each year. The Secretary's projections will then provide the basis for various actions with respect to adjustments in the milk price support level and for implementation of a supply management, or milk marketing adjustment program related to milk production and marketings.

Basis for calculating milk equivalents

Under current practice, milk equivalent conversions are based only on the quantities of milkfat contained in individual dairy products. The approximate milkfat content, by weight, of the three products the CCC stands ready to purchase under the dairy price support program are:

butter: 80 percent;
cheddar cheese: 32 percent;
nonfat dry milk: 1 percent.

The bill specifies that, for the purposes of adjusting the milk price support level or for implementing a milk marketing adjustment program, dairy products purchased by the CCC shall be converted to a milk equivalent on the basis of total milk solids. The total solids basis for calculating milk equivalents was specified because the milkfat basis for milk equivalent conversion yields inaccurate indications of the supply/demand balance for milk in the United States.

As recommended by the National Commission on Dairy Policy, the Committee believes that the dairy program should utilize a component based price support system to more readily reflect market demands and better communicate the economic composition of milk and products derived from milk.

Milkfat accounts for approximately 3.67 percent of the weight of whole, farm-produced milk and for approximately 30 percent, by weight, of the total milk solids contained in such milk. Milkfat also accounts for approximately 30 percent of the value to dairy farmers of milk of average composition, evaluated at current market prices.

Furthermore, milkfat accounts for approximately 35.5 percent, by weight, of the butter and nonfat dry milk that can be manufactured from whole, farm-produced milk, and for approximately 39 percent of the total value of such products, using current CCC purchase prices.

For this reason, calculating milk equivalents on a total milk solids basis, using a weighted-average method, with milkfat weighted between 30 and 40 percent, would provide a much more accurate indication of the amount of milk used to produce the quantities of butter, nonfat dry milk and cheese that the Secretary of Agriculture will be required to project under the provisions of this title.

Therefore, for the purposes of this bill, the milk equivalent, total milk solids basis, of milk and the products of milk purchased by the CCC should be calculated as the weighted-average of the milk equivalents, as computed on a milkfat basis and on a milk solids not fat basis, of such products, with weighing factors equal to not more than 40 percent for the milk equivalent, milkfat basis, and

not more than 70 percent for the milk equivalent, milk solids not fat basis. Such weighing factors shall total 100 percent.

Butter purchase price

The Committee's concern about the butterfat surplus is reflected in its instruction to the Secretary to reduce the purchase price for butter. The Secretary may further lower the butter purchase prices in order to reduce expenditures by the CCC.

Milk Marketing Adjustment Program

Most commodity programs combine both price and income mechanisms with supply control policies. The Committee believes that the development of an effective inventory management or milk marketing adjustment program is important for the future of the U.S. dairy industry.

In order to encourage both the Administration's and the industry's views on this issue, the bill establishes an ordered and open procedure for the study and recommendation of a milk marketing adjustment program. The Secretary will report to the Congress each year on the findings and recommendations of the study and will implement the recommendations in the year in which CCC purchases are projected to go above 7 billion pounds, milk equivalent on a total solids basis. The Secretary is prohibited from recommending a dairy termination or other such animal slaughter programs.

Milk manufacturing margin adjustment

The Committee determined that all State and Federal programs should work in concert to achieve goals established for Federal dairy policy.

The Committee intends that USDA's specification of a manufacturing margin for milk should apply to all areas of the United States. Therefore, the bill requires that no State may have a higher allowance than that provided for in Federal programs for manufacturing milk products.

Minnesota-Wisconsin price series reform

From the time they were created in the late 1930's, Federal Milk Marketing Orders (FMMO's) have needed some logic for setting the minimum class prices. Originally, local conditions and needs were the primary factors determining how individual orders established prices.

The first competitively determined, unregulated farm milk price that was used as a benchmark for Federal order prices was the so-called Midwest Condensary Price in 1940. Today, minimum prices in all Federal milk orders are directly tied to the Minnesota-Wisconsin Manufacturing Milk Price Series—the M-W price. The M-W price estimate is the average price for all milk of manufacturing grade delivered in bulk tanks and in cans (f.o.b. plant or receiving station) before hauling costs and producer assessments under the various dairy collection (assessment) programs and National Advertising and Promotion Program are deducted. The M-W price estimate relates only to manufacturing (grade B) milk purchased from farmers and does not include grade A milk diverted to manufactur-

ing uses. Thus, the M-W price is the starting point for pricing some 70 percent of the nation's milk supply.

The Committee believes that the time has come to replace the current M-W as the way to establish milk prices. One reason that has been a point of discussion for over two decades is the ever declining amounts of grade B or manufacturing grade milk in Wisconsin and Minnesota. Another motivation is the extremely wide price swings of the M-W price in 1988 and 1989. Furthermore, a recent General Accounting Office (GAO) report entitled "Milk Pricing, New Method for Setting Farm Milk Prices Needs To Be Developed," examined potential alternatives to the M-W price series.

The bill requires the Secretary of Agriculture to commence accepting alternative pricing formula recommendations within 60 days of enactment of this bill.

The Federal milk order program will continue to need one basic formula price that is common to all orders. Such a price must be a reliable indicator of competitively determined prices for milk. The present M-W price has, overall, performed well as a reliable mover of Federal order minimum prices. The Committee supports this review and directs that the Secretary, if it is determined that changes in the M-W are necessary, shall give notice and reasonable opportunity for public comment on any proposed changes to the M-W.

Report of dairy product purchases

Supporting milk prices through government purchases of dairy products constitutes a workable basis for any dairy program. Consistent with the intent of the Agricultural Act of 1949, CCC purchases of dairy products must serve primarily to balance the domestic market annually. Therefore, the bill requires the Secretary of Agriculture to make available to the public quarterly evaluations of the acquisition and disposal of CCC purchases of dairy products.

Adjustments for seasonal production

As provided in the Food Security Act of 1985, this provision provides for an extension of seasonal base plans and the "Louisville Plan." Currently, under the Federal milk marketing orders, there are 2 types of plans permitted for this purpose. Eight markets use the "Louisville Plan" for paying their producers. Under this plan, certain monies are withheld from producers during the heavy producing months and are added to the monies paid producers during the short fall production months. Ten markets use seasonal base excess plans. This section extends current authority.

Extension of the Dairy Export Incentive Program

This section provides for an extension of current authority that facilitates the development of commercial exports of U.S. dairy products. Section 153 of the Food Security Act of 1985 required the CCC to establish and operate a Dairy Export Incentive Program (DEIP), under which the CCC is authorized to make payments, on a bid basis, to an entity that sells U.S. dairy products for export.

The initial authorizing legislation provided that payments under the DEIP could be made in cash, in kind, or through the issuance

of certificates redeemable for commodities. The program was initially authorized through December 30, 1989. Subsequently, Section 106 of the Hunger Prevention Act of 1988 extended the operation of the DEIP through September 30, 1990.

Section 4308 of the Omnibus Trade and Competitiveness Act of 1988 amended the legislation authorizing the DEIP by requiring export bonus payments under the program to be made in the form of generic certificates redeemable for CCC-owned commodities, if payments in commodities are authorized under the program. Under the initial rules announced by the U.S. Department of Agriculture, bonuses under the DEIP were limited to selected lots of the dairy product inventory owned by the CCC. Prior to this change, 37 sales had been made to 16 countries under the program. All of these sales were for milk powder, totalling 10,947 tons with a total bonus value equal to $8,376,821.

In authorizing the DEIP, Congress provided the USDA with the same authority to undertake programs aimed at increasing the export of U.S. agricultural products in the dairy industry as it has for other agricultural commodity sectors. The objective of such programs is to counter or offset the adverse effects on U.S. agriculture of unfair trade practices or export subsidization on the part of competitors, particularly the European Economic Community. This section will continue this important policy of the Congress with respect to dairy product exports.

Export sales of dairy products

This section provides for an extension of current authority for direct export sales of dairy products from CCC stocks. Section 1163 of the Food Security Act of 1985 requires the Secretary of Agriculture to sell for export not less than 150,000 metric tons of dairy products owned by the CCC per year through fiscal year 1990, provided such sales do not disrupt domestic U.S. markets or world prices and patterns of commercial trade. Such sales are to include not less than 100,000 of butter and not less than 20,000 metric tons of cheese.

Beginning in fiscal year 1986, the Department of Agriculture has either met or achieved substantial sales under this dairy export mandate, to the extent that dairy products have been available in CCC stocks. Through fiscal year 1988, such sales consisted almost exclusively of nonfat dry milk. More recently, export sales under this authority have consisted of butter and butteroil, primarily to the Soviet Union and to Brazil.

This section would, therefore, extend a provision of which the U.S. Department of Agriculture has made appropriate use and which will continue to prove important in achieving a number of goals. These include countering the export subsidies employed by the European Community as a basic component of its agricultural policy, developing commercial export channels for U.S. produced farm products, and extended assistance to developing countries and to countries in the process of reforming their previously centralized, commanded economies.

The Committee recognizes that USDA sponsored programs for overseas distribution alleviate build-up of surplus stocks of dairy products while providing necessary food supplies to those currently

unable to provide for themselves. Efforts by USDA to reduce the surplus through export distribution programs are working, but USDA should establish programs that will not focus primarily on the distribution of surplus products, but instead, expand markets and profit-making capabilities of the dairy industry.

Component pricing of milk

This section would authorize certain types of component pricing programs under Federal milk marketing orders. Component pricing is a system of adjusting prices paid to farmers for milk to reflect variations in its composition with respect to nonfat solids as well as composition with respect to milkfat. Currently, milk is priced to farmers under Federal milk marketing orders on the basis of milkfat variation only. With the nonfat solids portion of milk, particularly the protein component, becoming more valuable relative to the milkfat portion, conversion to component pricing is becoming steadily more important as a means of achieving pricing efficiency and equity in the Nation's dairy sector.

Present authority requires that any Federal order multiple component pricing program must include both a component differential charge to handlers and a component differential payment to dairy farmers. This section would delete the requirement to impose a component differential charge to handlers. The resulting modification would enable more multiple component pricing programs to be proposed for inclusion in the Federal milk orders.

This section does not mandate a particular type of multiple component pricing program; instead, it provides authority for USDA to consider, at a hearing, a proposed program that does not include a component charge to handlers. As with all Federal order provisions, multiple component pricing programs must be developed by USDA through the formal rulemaking process.

Adjustment in Payment by Handlers

This section will provide authority for enhancing the efficiency of milk marketing operations under individual Federal milk marketing orders. It would allow the USDA to establish different rates between charges to handlers and payments to dairy farmers for the grade or quality of milk, the location at which milk is delivered, and the modification of the price to encourage seasonal adjustments in the production of milk.

These modifications, especially the authority to establish differences between the location adjustment rates charged to handlers and the rate paid to dairy farmers, would enable USDA to consider provisions which would enhance the effectiveness of an order in assuring an adequate supply of milk for fluid use in the market.

This section does not mandate any specific changes in any Federal milk marketing order. Instead, it provides expanded authority for USDA to consider proposals at a hearing and adopt those which are justified on the basis of a hearing record.

Multiple component price study

This section reflects the Committee's concern about the butterfat surplus that currently exists in the dairy industry. The Committee believes that the dairy industry needs to address, and address

quickly, the changing consumer demand away from high fat products. This section requires the Secretary to study whether butterfat is being produced in excess of commercial market needs as a result of the current dairy program. It also requires the Secretary to report the results of the study to the Congress and to conduct order hearings if appropriate to implement the recommended change in multiple component pricing for each of the Federal marketing orders.

Processor funded promotion

Over the past twenty years, per capita consumption of fluid milk has fallen from 23.3 gallons to 20.9 gallons annually. During the same period of time, per capita soft drink consumption increased from 19.9 gallons annually to 45.9 gallons. Soft drink manufacturers expend $550 million annually in advertising those products. In addition, $200 million is spent on juice advertising.

Fluid milk is produced on a large number of dairy farms throughout the United States and is marketed through both private and cooperative processors. The marketing and distribution system is subject to government regulation through price supports and the milk market order system which regulate both price and distribution of fluid milk.

The processor funded milk promotion program directs the Secretary of Agriculture to prepare a study and make recommendations on a milk promotion program. In preparing the study, the Secretary must seek public comment and specific advertising and promotion plans from processors and processor organizations and the general public.

Upon the completion of the study, and receipt of a petition from fluid milk processors representing 30 percent of the volume of fluid milk sold nationally, the Secretary is directed to establish an order under which the assessment and promotion program would occur. Prior to the implementation of the order, a referendum of processors must occur. An affirmative vote by processors representing 60 percent of the fluid volume is necessary before the order may be implemented.

The rate of assessment is 20 cents per hundredweight on Class I (fluid) milk and will generate approximately $110 million annually. A referendum may be conducted at any time after the initial referendum at the request of the National Processor Board or milk processors representing at least 10 percent of fluid milk sales nationally.

The activities of the Board and the operation of the order will be reviewed by the General Accounting Office two years after date of enactment.

TITLE II—WOOL AND MOHAIR

BACKGROUND

Annual U.S. wool production is equivalent to only about one-tenth of 1 percent of the value of principal crops produced in the United States, and sheep marketings are about 1 percent of the value of total livestock marketings. Sheep and wool are produced in all States, but significant output is confined to two regions: the

territory wool States and the fleece wool States. About 75 percent of the sheep are in Texas, South Dakota, the Rocky Mountains, and the Pacific Coast States. Wool from these areas is called "territory" wool. These grades are used to make better quality apparel. Most other sheep are in Virginia, West Virginia, Pennsylvania, States north of the Ohio River, and the Great Plains area. Wools from these areas, known as "fleece" wool, are medium grades used to make coats, blankets, and sweaters.

Wool production

The U.S. sheep inventory declined from a record high 56 million head in 1942 to a record low 10 million in 1986. The drop resulted both from declining wool demand by the U.S. textile industry as manmade fibers became pervasive and from reduced consumption of lamb and mutton. Since 1970, the number of sheep and lambs has been cut nearly in half, average flock size has fallen, and there are one-third fewer operators with sheep (table 1).

TABLE 1.—NUMBER OF SHEEP AND OPERATIONS, 1970–89

Year	Sheep and lambs on January 1 (million head)	Operations with sheep (thousand)	Average flock size (head per operator)
1970	20.4	179.6	112
1975	14.5	129.6	107
1980	12.7	120.1	107
1981	12.9	125.9	103
1982	13.0	128.2	98
1983	12.1	126.4	93
1984	11.5	123.5	89
1985	10.4	117.4	87
1986	10.0	115.3	88
1987	10.3	114.8	93
1988	10.8	115.5	93
1989	10.8	(1)	(1)

[1] Not available.

Most revenue from raising sheep comes from the sale of meat. Only about a third of cash receipts comes from wool. Consequently, changes in wool prices have only a small effect on the number of sheep and the level of wool production. The decline of lamb and mutton in the U.S. consumers' diet is a critical factor in the drop in sheep numbers. In 1970, lamb and mutton accounted for 2.9 pounds out of the 200 pounds of meat (red meat plus poultry) consumed per person, retail. In 1988, lamb and mutton were down to 1.4 pounds out of the total of 219 pounds of meat consumed.

The long downward trend in sheep numbers was interrupted in the late 1970's. The reduction in livestock numbers during 1974–75 caused by rising grain prices and economic recession led to higher meat prices and flock rebuilding in the later 1970's. Lamb prices rose 40 percent and wool prices 30 percent between 1976 and 1979. However, steep drops in lamb prices beginning in 1981 and in wool prices beginning in 1982 halted the recovery in sheep numbers. Flock numbers increased in 1987 and 1988 from the record low in 1986 when lamb prices began to rise in 1985. Livestock numbers may be stabilized now with this upturn.

Wool production has followed the decline in sheep numbers, with the production drop exacerbated slightly by a drop in productivity (table 2). Shorn wool production in 1988 was about 89 million pounds, greasy, less than one-quarter of the record 388 million pounds set in 1942. U.S. average fleece weights of about 8 pounds are low relative to the yields in two of the three largest wool-producing countries, Australia and New Zealand, which average 11–12 pounds. Fleece weights in the U.S.S.R., the second largest producer, have averaged 7.5 pounds in recent years.

TABLE 2.—SHEEP SHORN AND WOOL PRODUCTION 1970–88

Year	Sheep shorn (million head)	Shorn wool production (million pounds, greasy [1])	Average fleece weight (pounds, greasy [1])
1970	19.2	161.6	8.43
1975	14.4	119.5	8.30
1980	13.3	105.4	7.95
1981	13.5	109.8	8.14
1982	13.2	106.1	8.04
1983	12.9	102.9	8.00
1984	12.3	95.5	7.77
1985	11.2	87.9	7.88
1986	10.9	84.8	7.82
1987	10.9	84.7	7.75
1988	11.5	89.2	7.78

[1] Greasy basis is wool directly from the sheep. It has not been cleaned and scoured.

The size of domestic sheep flocks varies greatly. The 1982 Census of Agriculture indicated that only 1.4 percent of farms and ranches with sheep had a flock size of over 1,000 producing ewes 1 year old or older. But, 44 percent of all such ewes were in flocks of 1,000 or more. At the other end of the scale, 87 percent of farms and ranches with sheep had between 1 and 99 head. Twenty-three percent of ewes 1 year or older were in such flocks.

Although weak demand for lamb and mutton and the adoption of manmade fibers have been the principal reasons for declining production, some wool production characteristics have also contributed to the decline. Profitability has been hurt by predator losses, high hired labor costs, and labor shortages.

Domestic wool use

U.S. wool use has declined dramatically since World War II. The principal reason has been the widespread consumer acceptance of noncellulosic manmade fibers, such as nylon, polyester, and acrylic in wool textile products. Cotton has not been a factor. Wool and cotton do not compete for most end uses and the fibers are rarely blended. Annual consumption of raw wool by U.S. textile mills declined from 650 million pounds, clean, in the late 1940's to an average of 134 million during 1984–88.

Factors causing consumption trends

Price and performance explain the success of manmade fibers in penetrating the wool market. Although wool has wrinkle resistance because of the resiliency of the wool fiber, manmade fibers offer

drip-dry washing, no shrinkage, and no moth damage. Relative price stability has also given manmade fibers some advantages.

Wool prices tend to be more uncertain than manmade fiber prices. They depend on economic forces affecting sheep numbers (such as lamb prices) in addition to forces affecting overall textile demand. Because about 70 percent of the wool consumed by U.S. mills is imported, changes in foreign production and demand can cause substantial swings in U.S. prices.

Major factors affecting the demand for wool today are fashion, relative fiber prices, price variability, and overall economic activity. Mills dislike price variability—even more than high, but stable, prices—because they can get caught in an uncompetitive position.

The wool used by mills is basically of two kinds: apparel and carpet. Apparel wool includes the finer fibers and is used to make yarns and fabrics used primarily for apparel. Two textile production processes use the apparel wool: the woolen and the worsted systems, each accounting for about half of the apparel wool used by mills today. Carpet wools are coarser and are used in the production of carpets and rugs. In the 1950's, nearly one-third of U.S. wool use went for carpets and rugs. Today, such use is between 5 and 10 percent of total U.S. mill use of wool.

A major factor in the decline of U.S. wool use was the loss of the carpet market to noncellulosic fibers, mainly nylon. U.S. wool use today would be twice as large if carpet use of wool were the same as in the decade following World War II. During the 1980's, carpet use of wool was about 12 million pounds a year, compared with 147 million pounds averaged during the decade following World War II.

Noncarpet use of wool has been about 120 million pounds a year in the 1980's, with about 80 percent of this used for apparel. The rest is used for such items as drapes, upholstery, felts, and blankets. About 75 percent of wool apparel is in the "bottomweight" category, heavier weight fabrics that generally weigh more than 5 ounces per square yard. In recent years, there has been strong demand for suiting fabrics, boosting demand for the finer grades of wool relative to the medium grades.

Use of imported wool

Not only has wool lost markets to manmade fiber, but U.S. wool has lost markets to foreign wool. Over four-fifths of the wool textiles purchased by U.S. consumers during 1988 were foreign produced or made from imported raw wool. In recent years, imported raw wool and the raw wool content of textile imports have each exceeded U.S. wool production. The growth of imports has been both a consequence of and a contributor to the decline in domestic raw wool production. During 1979–88, Australia and New Zealand were the source of 90 percent of imported raw wool. Argentina, Uruguay, and the United Kingdom together constituted 8–10 percent.

Several important factors have accounted for the import growth. First, foreign wool quality is high and prices are competitive with U.S. prices even with duties, which average 10 cents a pound, clean, and represent less than 5 percent of the dutiable raw wool price. Second, in the early and mid-1980's, the dramatic appreciation of the U.S. dollar caused a surge in most U.S. imports, such as textiles, and a drop in commodity exports. Third, a growing

demand for high-quality wool, such as merino, boosted use of wool from Australia, which produces a high proportion of the finest qualities.

A major development in the 1970's and 1980's has been the growth in imported wool textiles, mostly apparel. By the late 1980's, imports more than doubled from the average level of 114 million equivalent pounds of raw wool in 1977–1982 to the record high of 276 million pounds in both 1986 and 1987, more than five times domestic raw wool production. Textile imports in 1988 were 242 equivalent million pounds.

Relatively little domestic wool is exported. Except for a few years in the early 1970's, the price of U.S. wool has not been competitive with foreign prices. Likewise, the quantity of exported wool textile products has been small, 5–10 percent of wool textile imports, a result of higher domestic textile costs.

The world wool market

U.S. demand, supply, and policy changes do not significantly affect world markets for wool, since the U.S. industry is small. Australia is the dominant producer and exporter. In 1988, U.S. sheep numbers and wool production accounted for only 0.9 percent and 1.3 percent of the respective world totals.

During the 1980's, world wool production has steadily increased, totaling a record 7.1 billion pounds in 1988–89. Australia produced 2.1 billion pounds in 1988–89. The U.S.S.R., ranking second, produced 1.1 billion pounds. Its output has averaged slightly more than 1 billion pounds over each of the last 10 years. New Zealand, the third largest, produced 739 million pounds in 1988–89. Because of lower economic returns, its output has declined every year since 1982–83. Successful state incentives boosted Chinese production in 1988–89 to a record high 492 million pounds, up 7 percent from the previous year.

The Soviet Union is the largest consumer of wool, accounting for about 18 percent of world mill use of wool during 1988. China was second with about 17 percent of world use. Soviet use has been growing slowly in recent years, but Chinese use more than doubled between 1980 and 1988. While part of this tremendous growth reflects increased domestic needs, China's emphasis on textile exports is the major factor. The European Community (EC) and Japan accounted for 30 percent of world wool use in 1988, about the same share of the previous 4 years.

The share of world raw wool imports claimed by the major industrial countries—the United States, the EC, and Japan—has declined from a combined total of 84 percent in 1966 to 59 percent in 1988. The growth markets for raw wool have been the Soviet Union and the East Asian textile exporters (Taiwan, South Korea, Malaysia, and China).

World raw wool exports primarily originate in southern hemisphere countries, destined for the industrialized countries of the northern hemisphere. Five countries—Australia, New Zealand, Argentina, South Africa, and Uruguay—account for 96–98 percent of world raw wool exports. Market shares have changed over the past 5 years. Australia's share of the five-country total increased from

54 percent in 1983–84 to almost 66 percent in 1987–88. New Zealand's share declined from 29 percent to less than 23 percent.

World wool prices are a major determinant of U.S. prices. Australia, New Zealand, and South Africa influence world prices through marketing boards. The Australian reserve price system is designed to keep Australian auction prices stable and reflective of world supply and demand. The Australian Wool Corporation (AWC) buys all wool offered at auction when bids do not reach minimum reserve prices, which are set annually. The AWC sells wool when demand and auction prices improve. South Africa and New Zealand have similar systems, and their reserve prices tend to follow those set by the AWC.

Prices and producer returns

During the 1950's and 1960's, producer prices for shorn wool generally averaged between 40 and 50 cents a pound and were fairly stable. However, wool prices fluctuated sharply during the 1970's, as did other commodity prices. Prices ranged from 19 to 86 cents a pound. During the 1980's, prices have remained volatile, ranging from $0.61 to $1.38. Imported raw wool and wool textiles in the 1970's and 1980's accounted for an increasing share of U.S. wool use, which magnified the impacts of foreign developments on the U.S. market.

Costs and returns

The price of meat—not wool—is the major factor determining the average U.S. sheep producer's income. Average cash receipts per ewe were $58 in 1984 but rose to a high of $73 in 1987. Wool market receipts and Government payments to wool producers to support their incomes (made on the basis of each producer's sales value of shorn wool and hundredweight of live unshorn lambs marketed) accounted for about one-third or less of gross receipts. Because of relatively high sheep prices in 1984–1987, revenue from meat and wool sales was sufficient to cover cash expenses.

With receipts rising faster than costs, average net returns after paying cash expenses rose from $17 to $28 per ewe between 1984 and 1987. However, without a Government price-support program, sheep producers' average receipts would have ranged from $6 in 1984 to $16 per ewe in 1987. Thus, wool support payments remain very important to sheep producers, representing about 50 percent of net cash receipts.

Structure of the mohair industry

Mohair is the fleece of the Angora goat. About 80 percent of the Angora goats in the United States are raised in Texas, mainly in the Edwards Plateau region in the southwestern part of the State. Texas is especially suited for mohair production, because it has the native shrubbery and plants and a warm, dry climate which Angora goats favor. New Mexico with 7.4 percent and Arizona with 5.5 percent were a distant second and third in Angora goat populations.

Mohair production

The number of Angora goats clipped in Texas exceeded 4 million during World War II, but dropped sharply to a low of 2.1 million in the early 1950's. Economic growth spurred total fiber use during the late 1950's and 1960's and mohair use benefited, pushing the number of goats clipped to a peak of 4.6 million in 1965. Rapid adoption of manmade fibers caused steady declines until the late 1970's. The number clipped stabilized between 1977 and 1983. High mohair prices in the mid-1980's encouraged goat numbers to increase. On January 1, 1989, the total U.S. Angora goat inventory was 1.82 million head, of which 82 percent were in Texas.

The 1982 Census of Agriculture provided data on the average size of a goat-producing operation. There were 3,247 farms with a total of 1.2 million Angora goats, or 382 head per farm. Texas had 75 percent of the farms with an average of 434 goats per farm.

The trend in mohair production has reflected the trend in the number of goats clipped, dropping sharply since 1965. However, the mohair yield per goat clipped has increased since World War II. Goats are clipped once or twice a year, and the average weight of fleece clipped has grown from 4.9 pounds per goat during the 1940's to a record 8.1 pounds in 1987.

Domestic mohair use

Domestic mill use of mohair varies depending on available supplies, mohair prices, and fashion. In recent years, annual use has been between 100,000 and 200,000 pounds, clean, which is only 1–2 percent of U.S. mohair production. Exports are the major market for U.S. mohair. Domestic use of imported mohair is minor, usually less than 10 percent of total domestic use.

Mohair is virtually insignificant in relation to the total U.S. fiber market. In 1988, U.S. per capita mill consumption of all fibers was 52 pounds. Per capita consumption of U.S. mohair has been only 1 part in 100,000 (0.001 percent). Mohair is a specialty fiber and its price, which may be two or three times greater than wool, cotton, and polyester, limits wide acceptance.

The world mohair market

The major mohair producing countries are South Africa, the United States, and Turkey, with smaller quantities produced in Argentina, Lesotho, Australia, and New Zealand.

South African production accounts for about 50 percent of world production. South Africa and the United States produce a premium mohair and both have the world's highest yields. Turkey, with about one-quarter of the world production, saw mohair production rise in the late 1970's and then fall in the 1980's. Turkish yields are about one-half of U.S. yields as a result of crossbreeding and only one shearing per year.

The major producers—South Africa, the United States, and Turkey—are also the major exporters of raw mohair. The United States accounts for about 35 percent of the exports of the major traders. Virtually all U.S. mohair exports are to Europe, with much going to the United Kingdom, the world's major importer of raw mohair. The main processing center is in Bradford, England,

where raw mohair is turned into top and yarn, of which a sizable portion is reexported.

PURPOSE AND NEED

Since 1954, the National Wool Act has promoted the production of quality wool and mohair and has provided an important stabilizing effect on producers facing volatile price swings due to forces outside of their control.

Maintaining a steady domestic supply of quality wool is one purpose for the current wool and mohair programs. A second is economic stability. Absent the current program, many farmers and ranchers with sheep and goats could not withstand the dramatic swings in prices produced by the international wool market. The economic impact of losing these businesses could be harsh in many rural areas that depend on sheep and goats and cannot support any other type of livestock.

During the 1950's and 1960's, producers received fairly stable prices averaging between 40 and 50 cents per pound for shorn wool. But wool prices fluctuated sharply during the 1970's, ranging between 19 and 86 cents per pound. These prices have remained volatile in the 1980's, ranging from 61 cents to $1.38 per pound.

Under the current wool and mohair program, a price support level is fixed based on parity (the 1910–14 purchasing value of a unit of wool) and world prices. In order to calculate his annual Government payment, each wool and/or mohair producer calculates his total receipts for the year, multiplies that total by a percentage that represents the difference between the national average price for wool and mohair and the price support level noted above.

Thus if the price support level in a given year is $1.50 per pound and the national average price is $1, then the percentage by which a producer would multiply his market receipts to determine his Government payment would be 50 percent.

The result of this system is that the payment received by a producer is an incentive for high quality and creative marketing skills. If two producers sell wool for different prices, the producer receiving the higher price will also get the higher Wool Act payment. One of the greatest benefits of the current wool and mohair program is its incentive base. This will allow continued improvement in the quality of U.S. wool.

The Committee adopted a limit on payments under the wool program of $50,000 per producer. Very few producers of wool would be limited by the provision. For 1988, the most current year for which USDA has complete numbers, 244 wool and/or mohair producers received Government payments ranging from $50,975 to $638,242. In order for a producer to reach the $50,000 limit under 1988 price support levels, he would have had to shear 16,100 sheep. The Committee determined that in the interest of fairness wool and mohair producers should face a $50,000 payment limit similar to that facing producers of other commodities receiving direct payments.

For all other provisions, the Committee extended the program for another 5 years with no changes.

TITLE III—WHEAT

BACKGROUND

Setting for development of the Food Security Act (FSA) of 1985

The FSA of 1985 was developed in the context of a domestic and international market for U.S. wheat substantially different from that in existence today.

U.S. wheat exports peaked in the 1981/82 marketing year at 1,771 million bushels, only to fall in each subsequent year until they reached a 14-year low of 915 million bushels during the 1985/86 marketing year. Domestic markets, particularly for feed purposes, exhibited some growth during the life of the Agriculture and Food Act of 1981. This growth, however, came at the cost of declining market prices, and was not enough to offset the fall in exports. Total domestic and export use fell to 1,961 million bushels in the 1985/86 marketing year, the lowest level since 1976/77.

While demand was declining, attempts to control wheat supplies were largely unavailing. With the exception of the 1983/84 payment-in-kind (PIK) program, stocks of wheat grew throughout the life of the 1981 Act. At the end of the 1985/86 marketing year, stocks of wheat totaled 1,905 million bushels. This resulted in a 1985/86 stocks-to-use ratio of 97.1 percent, the equivalent of having almost one full year's use of wheat in stocks.

The 1981 Act also established support prices for wheat at levels that made it difficult for U.S. wheat to be price competitive. Nonrecourse loan rates increased from $3.20 per bushel in 1981/82 to $3.65 per bushel in 1983/84. Loan rates were reduced in 1984/85 to $3.30 per bushel and held at that level for the 1985/86 crop. Throughout much of the life of the 1981 Act, prices averaged at or less than the non-recourse loan rate, implying that the loan program was the basis for market prices.

The Food Security Act of 1985

The Food Security Act of 1985 was designed to increase U.S. competitiveness in world markets and support farm income. The 1985 Act was also designed to reduce slowly government support to agriculture. To achieve these goals, the Act provided lower loan rates, generic certificates and aggressive export promotion (including bonus payments), along with steadily declining target prices.

Under the Act, target prices continued to protect producers' income, but the loan rate was substantially reduced. The 1985 legislation included two loan rates. The "basic" loan rate for wheat was set at 75-85 percent of the simple average of the season average farm prices over the previous 5 years, excluding high and low values. To prevent the loan rate from falling too fast, annual declines in the basic loan rate were limited to 5 percent. Under the "Findley Amendment", the Secretary of Agriculture was provided with the authority to reduce the basic loan rate by as much as 20 percent in order to maintain competitiveness. The Secretary has implemented this provision in every year of the 1985 Act, including years when market prices were nearly $2.00 above the loan rate and years when prices were substantially below even the reduced loan level.

Loan rates fell substantially under the 1985 Act. The national average loan rate fell from $3.30 per bushel in 1985/86 to $2.40 per bushel in 1986/87.

Target prices, the measure of direct income support provided by the programs, were frozen in the 1986/87 and 1987/88 crop years at $4.38 per bushel. Target prices declined in each of the subsequent years, dropping to $4.23 per bushel in 1988/89, $4.10 per bushel in 1989/90 and to $4.00 per bushel in 1990/91.

To be eligible for loans and deficiency payments, producers were required to participate in an acreage reduction program (ARP) if supplies were projected to be excessive. In the 1985 Act, the Secretary was required to establish ARP's according to specified stock triggers. If projected beginning stocks exceeded 1 billion bushels, the ARP was required to be at least 15 percent, but no more than 22.5 percent for the 1986/87 crop. For the 1987/88 crop, a projection of 1 billion bushels of beginning stocks triggered an ARP of 20–27.5 percent, and for the 1988/89–1990/91 crops, the same 1 billion bushel projection required a 20–30 percent ARP. For stock projections below 1 billion bushels, the Secretary was authorized to implement an ARP of 0–15 percent for the 1986/87 crop and from 0–20 percent for the 1987/88–1990/91 crops.

Producers who participated in the program were eligible for "regular" deficiency payments, based on a formula specified in the Act. If the national weighted average farm price received by producers for the first 5 months of the marketing year was below the target price, eligible producers received deficiency payments less any advance payments in December of that year. The payment was equal to the difference between the target price and the higher of the basic loan rate or the market price.

Producers were also eligible under the Act for additional payments called emergency compensation payments. These payments were equal to the difference between the basic loan rate and the higher of the announced national average loan rate or the national weighted average market price received by farmers for the entire marketing year. Market prices averaged below the basic loan rate in 1986 and 1987, but not in any of the subsequent years.

Advance deficiency payments were also allowed, and later required, under the Act. Advance deficiency payments are based on a calculation of the difference between the target price and the projected market price. By statute, the Secretary was required to make at least 40 percent of the projected deficiency payment in advance, and had the authority to make up to 50 percent in advance. If actual market prices were significantly higher than had been projected at the time a producer signed up for the program, the producer was required to repay any "unearned" deficiency payment.

Effects of the 1985 Act and the Setting for Development of 1990 Legislation

During the life of the 1985 Act, a number of market, climatic, and policy events have significantly altered the landscape. In the 1986/87 marketing year, a significant change in production control was implemented. The amount of land a producer was required to idle in order to obtain program benefits increased, and Congress

mandated the implementation of a paid diversion program. These requirements reduced plantings, and when coupled with an increase in export demand, drew down stocks.

Exports rose significantly in 1987/88, and with a further increase in the acreage reduction program to 27.5 percent, stocks declined even further, to only 47 percent of use. The increase in exports in 1987 was due to a number of factors. The Economic Research Service of USDA suggests that 19 percent of the increase was due to the Export Enhancement Program (EEP), 27 percent to the decline in prices, 10 percent to declines in competitors' production and 42 percent to decisions by the Soviets and Chinese to purchase additional grain. Of course, some unknown portion of the increase in aggregate Soviet and Chinese imports may have been related to overall price levels and therefore to both EEP and lower loan rates.

The drought of 1988, combined with continued large land retirement programs, both annual and long-term, generated the lowest level of wheat production in ten years. At 1,811 million bushels, wheat production represented only 73 percent of total use. This reduced stocks even further, to only 702 million bushels. The decline in supply, and continued strong demand, generated markedly higher prices. Wheat prices averaged $3.72 per bushel for the 1988/89 crop, compared to $2.57 per bushel for the 1987/88 crop.

In contrast to the drought of 1988, which primarily affected spring wheat crops, drought, winterkill, insect infestation and a number of other factors reduced winter wheat yield in 1989. Wheat yields averaged 32.8 bushels per acre in 1989—the lowest level since 1978. The increase in acreage, however, more than offset the decline in yields. In 1988/89, producers were required to idle 27.5 percent of base acreage in order to be eligible for program benefits. In 1989/90, producers were only required to idle 10 percent. Further, with higher prices, producers looked more to the marketplace and less to government, and participation in the program also fell.

Higher production, however, was not sufficient to meet total use in 1989/90, further reducing stocks. Wheat stocks amounted to only 535 million bushels at the end of the 1989/90 marketing year, the lowest level since 1975/76. Wheat prices have also remained strong during the 1989/90 marketing year, falling only one cent from the 1988/89 average to $3.71 per bushel.

The 1990/91 wheat crop has faced some climatic difficulties, but the cutback in the acreage reduction program to 5 percent and a return to more normal yields are expected to boost production by nearly 32 percent. Production of some classes of wheat is expected to grow even more. Offsetting the increase in production, however, is an expectation of continued export strength and growth in domestic consumption. Domestic uses of wheat are expected to rise 100 million bushels in 1990/91, compared to 1989/90 demand. Ultimately, stocks of wheat are also expected to increase. Current projections from the Department of Agriculture place ending stocks for the 1990/91 crop at nearly 775 million bushels, resulting in a stocks to use ratio of 32 percent. With the increase in stocks prices are projected to fall to the $3.00-$3.30 range.

This places the wheat industry in a substantially different position than in 1985. Market supplies are increasing, but only from

levels that resulted in rapidly falling stocks. Export markets, while not as strong as in 1988/89, are much stronger than in 1985/86.

Probably the most significant difference in the wheat sector between conditions in 1985/86 and 1990/91 is stock levels. The start of the 1986/87 crop year, the first year under the Food Security Act of 1985, found beginning stocks at 1,905 million bushels. All but 25 million bushels of this total were under some form of government control: directly owned, under long-term storage, a 9-month nonrecourse loan, or some extension of earlier loan programs. The 1984/85 and the 1985/86 crop was placed under loan at $3.30 per bushel. The 1985 Act lowered the loan rate to $2.40 per bushel. Market prices were supported by the loan program, thus, the decline in the loan rate effectively isolated nearly a full year's use of wheat from the market. This made for a dilemma of an abundance of wheat, but priced through government support programs at a level that made it virtually impossible for the market to access.

The Administration took steps to allow producer and market access to this grain in a variety of ways. Generic certificates were one of the most frequently used tools. These certificates were issued as part of nearly all government payments during the first few years of the 1985 Act and through the Export Enhancement Program. The certificates could be used to repay wheat loans at a 'posted county price' instead of the rate at which the grain was originally placed under loan. Posted county prices were based on prices at terminal ports, adjusted to country location for transportation costs. Certificates issued as part of the Export Enhancement Program could also be exchanged for Commodity Credit Corporation (CCC) owned grain.

The use of generic certificates allowed grain to come onto the market at much lower prices than would have been the case without the certificates. In effect, this action allowed stocks to move despite the Commodity Credit Corporation resale policy. The wheat program during this time was operated with a Farmer Owned Reserve program. In light of this, CCC stocks could not be sold for cash on the market at less than 110 percent of the release price for wheat. Certificates were an effective method of making the transition from higher to lower loan rates.

One of the disadvantages of the certificate program, however, was that it forced CCC-owned grain onto the market, severely depressing prices. The two year average price fell to levels not observed in more than 14 years.

Stocks today are much more in balance. While the exact makeup of ending stocks for the 1990/91 crop year are not known, it is expected that there will be little need to devise strategies, such as generic certificates, to bring government controlled wheat stocks onto the market.

Another significant policy change between the 1986/87 crop year and the 1991/92 crop year is the Conservation Reserve Program. The Conservation Reserve Program (CRP) is a long-term land-idling program designed to remove highly erodible land from production. Producers who enter the program agree to remove land from production, and base acres, for up to ten years. The program has been particularly effective at removing wheat land from production.

Through the ninth sign-up, 10.3 million acres of wheat base were enrolled in the CRP. It is expected that by the beginning of the 1991/92 crop year 11.1 million acres of wheat will be idled through the CRP. The CRP is, in effect, a multiple-year paid land diversion that at the same time allows the size of the unpaid land diversion (ARP) to decrease. The wheat land now in the CRP, amounts to the same as a 10 percent ARP. This will allow for lower annual ARP's throughout most of the life of this legislation.

OUTLOOK FOR THE 1990'S

Export Markets

The 1990's presents the wheat industry with new challenges and opportunities. Changes in the economies in Eastern Europe open new markets, or may develop new competitors. Canadian, Argentine, Australian and European Community producers will continue to fight for increased market share, some with and others without direct government support.

The Soviet Union represents one of the largest causes of variability in U.S. and world demand for wheat. With significant political and economic reform unfolding, it is difficult to project the changes in Soviet demand for U.S. wheat. Despite an increase in production in the 1989/90 crop year, the Soviet Union increased imports of wheat more than 1 million tons from 1988/89 levels. Much of the increase in Soviet imports, however, was in the form of feed, not milling quality wheat. In 1989, the Soviets allowed farmers to receive payments for agricultural products in convertible rubles. The intention was to encourage additional production and sales of wheat and other agricultural products to the State. The program failed to attract significant amounts of additional wheat, with some estimates of only 225,000 tons of additional sales. Because the program was announced late in the year, it is possible that producers did not have time to react to the new option.

The Soviets have also recently increased their procurement prices for most grains, including wheat. Once again, however, the announcement came somewhat late in the season and is not expected to have a significant effect on the current year's crops. In the longer term, however, if additional capital and consumer products are made available to Soviet producers, there may be an incentive to increase wheat production. Most of this increase, however, is expected to be utilized for feed purposes.

China's wheat production reached record levels in 1989/90 and is expected to reach another record in 1990/91. This increase is due in part to good weather, but area is also projected to increase. Much of the increase in plantings is due to government encouragement. Even with more domestic production, however, Chinese imports of wheat are expected to remain at 13.5 million tons. Factors which could cause this to vary range from political decisions to a lack of foreign exchange.

China is facing its peak years of debt repayment and its export growth is also slowing. The government has already imposed austerity measures and could decide to reduce wheat imports to conserve foreign exchange. Future Chinese purchases will depend in large part on domestic production growth, the level of Chinese ex-

ports of other products, the domestic political situation and their ability to service debt.

Eastern Europe also offers a mixed picture. Production is expected to increase in 1990/91, but area is not expected to rise to any significant degree. Wheat imports are projected to increase relative to 1989/90 levels, but much of this increase is due to U.S. food aid to Poland. One potential bright spot, however, is demonstrated by the area's shift toward more consumer products. As the area moves to a higher protein diet, additional feed will be required. In many cases, these countries use wheat as feed, either imported or domestically produced. As in China, however, the availability of foreign currency could limit import demand.

The challenge presented by major competitors for wheat markets is expected to remain strong. In the short run, European Community production is expected to rise in 1990/91, but the quality of the wheat is expected to fall. By producing more low-quality, or feed wheat, the EC is likely to increase wheat exports further in 1990/91, to nearly 22 million tons, up almost 5 percent from 1989/90 levels. The level and type of European Community wheat exports will present problems not only for U.S. wheat, but also for U.S. feed grains. It is possible that much of the increase in feed demand generated in Eastern Europe could be filled by low-quality European wheat. Much of the longer term concern regarding the EC falls in the area of domestic/export policy and yield growth.

Canadian production is also projected to increase in 1990/91, due in part to a 3 percent increase in planted area. Canada is likely to continue to be a strong competitor on price as well as on quality.

Australia's plantings are also projected to increase in 1990/91. With declining wool prices, and strong wheat prices, producers are expected to shift out of sheep production and into wheat. Future competition through increased production from Australia could come both in terms of increased area and increased yields but the country's producers exhibit considerable price-sensitivity because of the relative paucity of direct subsidies.

Argentina represents a large area of uncertainty with respect to future competition. Government macro-economic policy will have a major effect on the Argentine producers' ability to expand area and production. With rampant inflation, a free-falling currency, and a need for foreign exchange, Argentina needs to expand exports. While control of inflation is usually viewed as an improvement in the economy, recent methods used by the Menem government to reduce inflation have limited Argentine producers' ability to obtain credit.

The Argentine government, in need of revenues, has consistently taxed exports of agricultural products in the past. Recently, the Government there reduced export taxes from 23.5 percent to 13.5 percent. This will allow the producer to earn more for exported wheat. The government is also actively encouraging producers to increase wheat production and increase exportable supplies. While the level of planting is unclear for the upcoming year, it is expected that Argentina's wheat area will grow by 10 percent. Further growth is possible, particularly if the economic situation stabilizes.

Domestic Market

Wheat is used primarily in the U.S. as human food. While growth in food use of wheat has not shown dramatic variation, it has shown steady growth over the past ten years. In the twenty years from 1955/56 to 1975/76, food use of wheat increased by 100 million bushels. It took only six years from 1982/83 to 1988/89 for wheat food use to rise 100 million bushels. Increased per capita consumption has been the main cause. While food use is expected to continue to grow, per capita growth has slowed, leading to expectations of a more traditional 2–5 percent rate of growth.

Feed use of wheat varies more than other categories of demand. Feed demand has been as low as 35 million bushels in 1974/75 and as high as 413 million bushels in 1986/87. Wheat competes with corn as a feed, and is utilized as a feed primarily from June to October when new crop wheat is available and sorghum or other feed grains have yet to be harvested. The relationship between feed grain prices and wheat will continue to dominate feed use of wheat. For the 1990/91 crop, wheat prices are expected to make wheat a more economical feed than has been the case in the recent past.

PURPOSE AND NEED

Wheat provides a major contribution to a number of state economies. In the Great Plains States, wheat is the major crop. In specific counties, wheat is the driving force of local economies. In those communities any fall in the value of wheat not offset by government payments can have a devastating effect. It is the purpose of the wheat price and income support program to provide stability in wheat producers' income through price, income support, production control and stock management programs. The legislation also provides for an extension of current discretionary disaster assistance programs and for a new targeted option program which will allow producers to select different levels of acreage limitation in exchange for varying target price protection.

The basis for the wheat program is contained in section 301 of Title III of the legislation. The section amends the Agricultural Adjustment Act of 1949, and lays out the program for the 1991–1995 crop years.

Loans and Purchases

The legislation continues the current requirement that the Secretary make available to producers loans and purchases for the 1991/92 through 1995/96 crop of wheat. In carrying out the loan and purchase program, the Secretary is required to select from one of two plans.

Basic loan rate.—The basic loan rate for wheat is established at not less than 75 percent to 85 percent of the olympic average of the past 5 years wheat prices. In no case shall the basic loan rate be less than $2.44 per bushel, nor shall the basic loan rate be allowed to decline by more than 5 percent in any year.

Authority to reduce loan rate.—The Secretary is authorized to reduce the loan rate if the Secretary determines that the average price received by producers for wheat in the previous marketing

year was not more than 110 percent of the loan rate for the marketing year or if the Secretary determines that reducing the loan rate is necessary to maintain a competitive market position for wheat. The Secretary may reduce the loan rate by an amount the Secretary determines necessary, but in no case by more than 20 percent from the basic loan rate.

The Committee notes that the Secretary has made use of similar authority under the 1985 Act. The Committee also notes that the Secretary has made use of the provision even when market prices were averaging well above 110 percent of the basic loan level. This indicates that the Secretary believed that loan rates for wheat must be $1.50 to $2.00 per bushel below market prices to maintain a competitive position in world markets, taking into account both the short- and long-term factors that determine competitiveness.

Under the provision adopted by the Committee, the Secretary will be required to report to the House and Senate Agriculture Committees if the Secretary chooses to reduce the loan rate.

Advance compensation.—If the Secretary chooses to reduce the loan rate below the basic loan level, the Secretary is required to provide producers with advance compensation. The amount of the advance compensation shall be determined by the product of the estimated individual farm program acreage, the farm program payment yield, and an amount determined by multiplying 0.75 by the dollar amount of the reduction in the loan level from the basic loan rate. As an example, with the basic loan rate set at $2.44 per bushel, if the Secretary determined it was necessary to reduce the loan by 20 percent to $1.95 per bushel, the Secretary would be required to provide producers with advance compensation of $0.37 multiplied by the farm program payment yield multiplied by the individual farm program acreage.

The legislation provides that a producer who receives advance compensation shall repay the compensation to the Secretary not later than 270 days after the beginning of the marketing year. No interest payments shall accrue on the compensation prior to 270 days after the beginning of the marketing year. Repayment may be provided through reductions in future payments. Should a producer not repay, the Secretary may take other action, such as precluding participation in future programs until such funds are repaid or offsetting other Federal payments due the producer, or he may take legal action.

Repayment of wheat loans.—In repaying loans, irrespective of whether or not the Secretary has chosen to reduce the loan rate from the basic loan rate level, the loan may be repaid at the lesser of the loan level for the crop, or the prevailing world market price. The Committee intends that the Secretary should provide for this form of repayment when utilizing either the world market price methodology, or the alternative repayment rate methodology provided for in this legislation.

The Secretary shall issue regulations that determine the formula used to set the prevailing world market price, and allow for adjustments for U.S. quality and location. The Committee intends that the Secretary should provide location adjustment not only from world markets to the United States market, but within the domestic market as well. In carrying out this provision the Secretary

may provide for location differentials on a county-by-county basis as is now done in setting loan rate differentials, or in the establishment of posted county prices.

Alternative repayment rate.—The Secretary may establish alternative repayment rates for loans if the Secretary determines that, by setting an alternative repayment rate, loan forfeitures can be minimized, the cost to the Federal Government can be minimized, and domestic wheat will be competitive in domestic and international markets.

The Committee intends that by providing the Secretary with considerable discretion regarding the repayment price for wheat loans, government acquisition of wheat stocks should be minimized.

Loan Deficiency Payments

The Secretary is authorized to make payments available to producers who, while eligible to obtain a loan, agree to forgo obtaining a loan in exchange for this loan deficiency payment. Loan deficiency payments are to be computed by multiplying the loan payment rate by the quantity of wheat the producer is eligible to place under loan. The loan payment rate is the amount by which the loan level exceeds the level at which loans can be repaid under the earlier section.

Deficiency and Disaster Payments

Deficiency payments.—The Secretary shall make deficiency payments to producers. Deficiency payments shall be computed as the product of the payment rate, the individual farm program acreage and the farm program payment yield.

The payment rate for wheat shall be the amount by which the established or target price for wheat exceeds the higher of the national weighted average market price for the first 5 months of the marketing year, or the loan level for the crop.

Established or target price.—The established, or target, price for wheat shall be not less than $4.00 per bushel. The Committee wants to make clear that the $4.00 level represents a floor on target prices, and points out that the Secretary has legislative authority to set the target price at a higher level, should the Secretary choose to do so.

Emergency compensation payments.—If the Secretary chooses to reduce the loan level below the basic loan rate, the Secretary shall provide emergency compensation payments to producers. In providing emergency payments, the Secretary shall increase deficiency payments by an amount that provides for the same total returns to producers as if the adjustment in the loan rate was not made, taking into consideration any deficiency payments that would otherwise be made.

In determining the payment rate for emergency compensation payments, the Secretary shall use the national weighted average market price for the first 5 months of the marketing year. The Committee recognizes that under the 1985 Act this calculation was made on a 12 month basis. Under the 1985 Act, producers of some commodities were in a position to receive deficiency payments for the same crop in three separate fiscal years. By shifting to a calculation based on the first 5 months, all direct payments to producers

will be made within 2 fiscal years. The emergency compensation payment is a direct payment and is not subject to repayment, subject to the terms and conditions of this legislation. It is also not subject to the $50,000 payment limit.

Devoting acreage to conservation uses or "0/92".—The legislation continues the program to allow producers to receive deficiency payments for planting less that their entire permitted acreage to wheat—the so-called "0/92" program—essentially intact from the 1985 Act.

If the Secretary implements an acreage limitation program for wheat and a producer devotes a portion of the permitted wheat acreage equal to more than 8 percent of the permitted wheat acreage for the farm or all of such permitted acreage to conservation uses or other uses as defined in the legislation, the portion in excess of 8 percent shall be considered planted to wheat for purposes of determining the individual farm program acreage used in making payments. The term "conservation uses" applies to acreage not planted to wheat under this program. In providing payments to producers who utilize the program, a minimum payment rate shall be established at time of sign-up for the program.

As was the case for 0/92 in the 1985 Act, the Secretary is directed to implement the program in such a manner as to minimize the adverse effect on agribusiness within any county. In order to minimize the effect, the Secretary may restrict the total quantity of acreage that may be taken out of production under this program. Any restriction imposed on participation in this program shall not apply in a county that has been declared eligible to receive disaster emergency loans as a result of a disaster that occurred during the crop year.

The wheat crop acreage base and the farm program payment yield shall not be reduced due to a producer's participation in this program. Any acreage considered to be planted to wheat under this program may not be considered as conserving use acreage for any other program.

Conserving crops.—The Secretary may permit all or any part of acreage otherwise devoted to conservation uses as a condition of being eligible for the 0/92 program to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. The Committee wishes to make clear that it is within the Secretary's discretion to allow or disallow individual crops from inclusion on this list. The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program, will not affect farm income adversely and is needed to maintain an adequate supply of the commodity.

In a change from the 1985 Act, the legislation requires the Secretary to permit the planting of sunflowers, rapeseed, canola, safflower, flax and other minor oilseeds designated by the Secretary (excluding soybeans) on conservation use acreage. The Committee intends that a producer may choose between receiving wheat deficiency payments or retaining loan protection for the permitted oil-

seed. The Committee notes that for the 1990/91 crop year the Secretary permitted the planting of certain crops on conservation use acreage. However, the Secretary reduced the number of acres on which a producer was eligible to receive deficiency payments. Under this bill a producer could elect to continue to receive deficiency payments on all eligible acreage. However, should a producer plant the designated oilseed on conservation use acreage and elect to receive wheat deficiency payments on acreage planted to the permitted oilseeds, the producer must agree to forgo eligibility for any loan protection for any such oilseed produced on the farm.

Any payments a producer would be eligible to receive under the 0/92 program shall be reduced by the quantity on which any disaster payment is made.

Disaster payments.—The legislation continues earlier provisions for providing disaster payments. Included are provisions for both prevented planting and reduced yield payments. The Secretary is required to provide for payments to producers who suffered prevented plantings or reduced yields if Federal Crop Insurance was not available to the producer. The Secretary is precluded from making such payments if crop insurance was available to the producer. The Secretary is precluded from making such payments if crop insurance was available to the producer.

If a producer is prevented from planting, and crop insurance is not available, the Secretary shall provide a prevented planting payment to the producer based on the number of affected acres, 75 percent of the farm program yield and 33.3 percent of the established price for wheat.

If a producer suffers reduced yields because of drought, flood or other natural disaster, and crop insurance is not available, the Secretary shall provide a payment to such producer. The payment shall be a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

While the Secretary is normally precluded from making disaster payments to a producer if crop insurance was available, there is one exception. The Secretary may make these payments if the Secretary determines that the losses have created an economic emergency for the producer, and that insurance payments will not be sufficient to offset the economic emergency. The Secretary is also authorized to adjust such payments so as to ensure the equitable allotment of payments among producers.

Payment Yields

The farm program payment yields for wheat shall be determined under title V of the 1949 Agricultural Adjustment Act as amended by this legislation.

Acreage Reduction Programs

If the Secretary determines that the total supply of wheat, in the absence of an acreage limitation program, will be excessive, the Secretary may provide for an acreage limitation program for wheat. In determining the need for an acreage limitation program the Secretary shall take into consideration the number of acres placed in the Conservation Stewardship Program.

Announcement of program.—If the Secretary elects to implement an acreage limitation program, the Secretary shall announce the program no later than June 1 prior to the calendar year in which the crop is harvested. This extends the current provision regarding program announcement. Not later than the following July 31, the Secretary may make adjustments in the program announced no later than June 1. The Secretary is only authorized to make any such changes if the Secretary determines that there has been a significant change in the total supply of wheat since the first announcement. Provision is made to announce the program as soon as is practicable for the 1991 crop only.

Eligibility for loans, purchases and payments.—As a condition of eligibility for program benefits, with exceptions provided for in the legislation, producers must comply with the terms and conditions of the acreage limitation program announced by the Secretary.

Carryover stocks.—The 1985 Act provided that acreage limitation programs would be established based on specific stock levels. The legislation continues a requirement for acreage limitation programs, but such programs shall be established based on the ratio between ending stocks to total disappearance. The Committee recognizes that, as demand for wheat and wheat products change, a fixed level of stocks may not be appropriate.

For each of the 1991–1995 crops of wheat, if the Secretary estimates that the ratio of wheat ending stocks to total disappearance of wheat for the marketing year will exceed 40 percent, the Secretary shall establish an acreage limitation program of at least 12.5 percent but not more than 20 percent. If the projected stocks to use ratio is less than 40 percent, the Secretary shall implement an acreage limitation program of not more than 12.5 percent. The legislation specifically provides that the Secretary may establish an acreage limitation program of 0 percent.

Total disappearance is defined as the sum of all wheat utilization including total domestic use, total export use and total residual disappearance. Feed utilization of wheat shall be considered as either domestic use or residual disappearance.

If a wheat acreage limitation program is announced, the limitation is to be achieved by applying a uniform percentage to the wheat crop acreage base.

Ineligibility for program benefits.—With an exception provided under title V of the 1949 Agricultural Adjustment Act as amended by this legislation and a pilot program included in the legislation, any producer who knowingly plants wheat acreage in excess of the permitted wheat acreage shall be ineligible for any wheat program benefit.

Wheat crop acreage bases.—Wheat crop acreage bases are to be established under title V of the 1949 Agricultural Adjustment Act as amended by this legislation.

Reduced acreage.—In a change from current legislation, the method of computing the number of acres that shall be removed from production is determined by multiplying the percentage determined by the Secretary on an annual basis by the producer's wheat acreage base. This is intended to simplify the current method utilized in implementing acreage limitation programs. For example, the 1989 wheat support program required that "An acreage equal

to 11.11 percent of the planted acreage must be maintained in approved conservation uses." in order to implement a 10 percent acreage limitation program. The number of acres resulting from the new calculation shall be referred to as "reduced acreage", while the remaining acreage shall be referred to as "permitted acreage".

Planting oilseeds or other crops on reduced acreage.—Producers may plant an oilseed or other crop considered appropriate by the Secretary on no more than one-half of the reduced acreage on the farm. If a producer elects to make use of this provision, the Secretary shall reduce the amount of acreage the producer is eligible to receive deficiency payments on by an amount determined appropriate by the Secretary. It is possible that the Secretary may determine that an amount greater or less than a one acre reduction in permitted acreage is appropriate. If more than one crop is produced on the farm, the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted to all program crops.

The Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that there is no additional cost to the Commodity Credit Corporation from this provision on a national basis.

Planting conserving, experimental or industrial nonprogram crops on reduced acreage.—Similar to the provision for oilseeds, this section provides that producers may plant conserving, experimental or industrial non-program crops on reduced acreage. The Secretary shall determine which crops are allowed to be planted on reduced acreage. Also in contrast to oilseeds, the producer may elect to plant an approved crop on the entire reduced acreage. Also different than oilseeds, the producer must reduce the amount of deficiency payment that would be made by an amount equivalent to one acre of the program crop for each newly planted acre. Proration is required if the producer plants more than one program crop.

Targeted Option Payments

In an effort to provide the producer with additional planting flexibility, the legislation provides for a Targeted Option Payment program (TOP). In general, under TOP, a producer may increase the acreage reduction requirement for the farm in exchange for an increase in the established price. The Secretary is directed to increase the established price by 0.5 to 1 percent for each percentage increase from the announced acreage limitation program. Likewise, the producer may decrease the acreage reduction requirement for the farm in exchange for a decrease in the established price.

Under the TOP program, a producer would not be allowed to increase the acreage reduction requirement by more than 10 percent for the 1991 crop and 15 percent for the 1992 through 1995 crops, though in no case will a producer be allowed to idle more than 25 percent total.

The producer may reduce the acreage limitation program by no more than one-half of the announced acreage reduction program.

The Secretary shall ensure that the TOP does not have a significant effect on program participation or on total production.

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Administration

Regulations issued by the Secretary regarding reduced or conservation acreage shall ensure the protection of acreage from weeds, wind and water erosion.

Annual or perennial cover.—A producer who participates in an acreage reduction program for wheat shall be required to plant an annual or perennial cover on 50 percent (or more, at the producer's option), of the acreage that is required to be removed from production. Not more than 5 percent of the crop acreage base shall be established in perennial cover.

If a producer elects to establish a perennial cover on the acreage, the CCC shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on no more than 5 percent of the crop acreage base for wheat. If a producer elects to utilize this program, and receives cost share, the producer shall agree to maintain the perennial cover for a minimum of three years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. As was the case for the 0/92 program, the Secretary may select individual crops from the above list to allow or disallow to be planted on reduced acreage.

The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

Haying and grazing.—Haying and grazing of reduced acreage or conservation use acreage shall be permitted, except during any consecutive 5-month period that is established by the State ASCS committee. The 5-month period shall be established during the period beginning April 1 and ending October 31. The state committee is required to announce the 5-month period no later than January 1 of each year. In the case of a natural disaster, the Secretary may permit unlimited haying and grazing.

Summer fallow practices.—In determining the land required to be devoted to conservation uses under an acreage limitation program with respect to land that has been farmed under summer fallow practices, the Secretary shall consider the effects of soil erosion and other factors as the Secretary considers appropriate.

Water storage.—The Secretary shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered devoted to conservation uses for a period of 5 years subsequent to its conversion to water storage.

Land diversion payments.—The Secretary may make land diversion payments, irrespective of the operation of an acreage limitation program, if the Secretary determines that land diversion pay-

ments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts or through other means as the Secretary determines appropriate. The Secretary is directed to limit the total acreage diverted under this provision in any county so as not to affect adversely the economy of the local community.

Conservation practices.—The Secretary is required to consult with wildlife agencies and to allow producers to establish wildlife food plots or habitat on conservation use and any additional diverted acres. The Secretary may cost share with the producer the cost of establishing such plots. The Secretary may also pay a share of the cost of approved soil and water conservation practices. The Secretary may also provide for a payment on acreage the Secretary determines will benefit the general public if the producer agrees to permit access to all or a portion of the farm for the general public for access for hunting, trapping, fishing and hiking, subject to applicable State and Federal regulations.

Participation agreements.—An operator desiring to participate in the loan, purchase and payments program shall execute an agreement with the Secretary not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of wheat or other agricultural commodity. The Secretary may modify the agreement for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for wheat.

The Committee recognizes that there may be conditions when the Secretary needs to modify the wheat program subsequent to the final announcement of the program. This need may arise from significant increases in export or domestic demand for wheat, serious production shortfalls, or a reduction in feed grain production. However, the Committee feels that making changes to the program subsequent to the final announcement should not occur without sufficient cause. Producers make planting decisions for winter wheat in particular, at a time that may not allow them be able to react to the Secretary's proposed program change. For this reason, the Committee intends that actions by the Secretary to increase production of any particular commodity should only occur if stock levels or supplies of that commodity have declined substantially, subsequent to the final program announcement.

Inventory reduction payments.—The Secretary may for each of the 1991 through 1995 crops of wheat make payment to producers in the form of negotiable marketing certificates. Payments shall be determined in the same manner as prescribed for loan deficiency payments. To be eligible for such payments the producer must agree to forgo obtaining a loan and to forgo obtaining any deficiency payment. Further, the producer must agree not to plant in excess of the crop acreage base reduced by one-half of any acreage

required to be diverted from production under an acreage limitation program.

Pilot Voluntary Production Limitation Program

This provision establishes a pilot program under which participating producers of wheat shall be considered to have met the requirements of any acreage limitation or land diversion program by adhering to the requirements of the pilot program to limit their marketings of wheat. There may be substantial potential benefits of such a program to control supply and provide producers with increased flexibility to farm in more economical and environmentally sound ways. The Committee determined that this justified developing a pilot program to evaluate the practicality of implementing and policing the program on a nationwide basis.

To test adequately the efficacy of the program, the Committee intends that the program be offered in at least fifteen counties in each of at least four states. In determining the states in which the pilot program will be offered and in order to estimate the level of nationwide interest in the program, the Secretary shall solicit an expression of interest in the program from all wheat program participants at program sign-up and take such interest into consideration. However, it is the Committee's intention that in making a final selection of states, the Secretary offer the program in at least one state where the majority of the wheat production in that state is of winter varieties, at least one state where the majority of the wheat production in that state is of spring varieties and at least one state that produces similar quantities of both spring and winter wheat varieties.

A producer who participates in this program shall be considered to have met the requirements of an acreage limitation or land diversion program if the producer meets the requirements of the voluntary production limitation program established under this program.

In order to comply with the production limitation program a producer must agree not to market, barter, donate or use on the farm (including use as a feed for livestock) in a marketing year a quantity of wheat in excess of the wheat production limitation quantity for the farm for the marketing year.

The production limitation quantity shall equal the product of the acreage permitted to be planted to wheat under the acreage reduction program or the land diversion program in effect for the crop and the higher of the farm program payment yield or the five year olympic average yield per harvested acre for wheat for the farm, excluding the crop years in which wheat was not planted.

Producers who participate in this program shall enter into an agreement with the Secretary. Such producers shall not plant program commodities in excess of the normal crop acreage base for the farm and be considered to have complied with the terms and conditions of the wheat acreage reduction program even though the acreage planted to wheat on the farm exceeds the wheat permitted acreage.

If the producer produces wheat in excess of the production limitation quantity for a crop year, the producer may store the excess for a period of not more than 5 years. The excess production may

be marketed in subsequent years, but marketing in any one year will still be subject to the production limitation quantity in effect for that year. If a producer grew wheat in excess of the production limitation quantity and then chose not to participate in the production limitation program in subsequent years, the producer would be allowed to market the excess wheat in an amount that reflects the quantity of wheat that would have been grown on acreage that the producer agreed to devote to approved conservation uses (in excess of any acreage reduction or land diversion requirements) during a crop year.

In carrying out this section the Secretary shall issue regulations to implement the program. The Secretary may require an increased acreage reduction program for producers who have excess wheat production in order to allow producers to market, barter or use the production in subsequent years. Further, the Secretary shall also take appropriate measures to prevent circumvention of the program thus established. Other provisions are included to ensure equitable treatment of participants in the production limitation program as a result of any changes the Secretary may make to the determination of farm program payment yields.

The Committee intends that the Office of the Comptroller General will evaluate and monitor the pilot program to ensure that it is operated to minimize the potential for abuse. The Comptroller General shall conduct such monitoring during the 1991 and 1992 crop years for wheat and report to Congress prior to the start of the 1993 crop year with an evaluation of the pilot program that shall include a recommendation as to whether the program should be made universally available to all participants in the wheat program for the 1993 through the 1995 crop years. It is the intention of the Committee that the Secretary adopt the recommendations of the Comptroller General, though the Committee notes that this recommendation will not be binding upon the Secretary.

Defaults and Waivers

If a producer fails to comply fully with the terms and conditions of this program, the Secretary may make loan and target price payments to such producer in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may also authorize State and county committees to waive or modify deadlines and other program requirements in cases where lateness does not adversely affect the operation of the program.

Regulations

The Secretary may issue regulations to carry out this program.

Commodity Credit Corporation

The Secretary may utilize the Commodity Credit Corporation to carry out this program.

Assignment of Payments

Producers shall be allowed to assign payments provided under this section.

Sharing of Payments

The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

Tenants and Sharecroppers

The Secretary is directed to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross Compliance

Compliance on a farm with the terms and conditions of any other commodity program or compliance with crop acreage base requirements for any other commodity may not be required as a condition of eligibility. The Secretary is also precluded from requiring that producers comply with the terms and conditions of the wheat program with respect to any other farm operated by the producer.

Public Comment on Wheat Programs

Not less than 60 days prior to the announcement of the wheat acreage limitation program, the Secretary shall propose various program options and seek public comment. When presenting such options, the Secretary shall accompany each proposed option with an analysis that includes estimates of planted acreage, production, domestic and export use, ending stocks, season average price, program participation rate and government cost.

In order to understand better the justification for selection of program options, the Committee believed that it was important that information considered by the Secretary in reaching a decision regarding the selection of a wheat program be available to the public as well.

In seeking public comment, the Secretary is only required to seek comments regarding the annual price support and acreage limitation program.

Crops Affected

The provisions of the legislation will be effective for the 1991 through 1995 crops of wheat.

Other provisions

Section 302 amends the Agricultural Adjustment Act of 1938, by removing the requirement for marketing certificates for domestic processors and exporters for the 1991-1995 crops.

Section 303 further amends the Agricultural Adjustment Act of 1938 to suspend the land use requirements, wheat marketing allocation and producer certificate provisions of the 1938 Act.

Section 304 suspends further wheat marketing quotas established in the 1938 Act.

Section 305 makes section 107 of the 1949 Act in applicable to the 1991 through 1995 wheat crops.

TITLE IV—FEED GRAINS

BACKGROUND

Setting for development of the Food Security Act of 1985

Market forces and Federal policies affecting the feed grains industry today diverge considerably from 1985, when the last omnibus farm legislation was being drafted. Then, export markets were declining—1985/86 corn exports reached their lowest level in 10 years. Stocks were increasing dramatically—1985/86 corn ending stocks were the largest on record, rising almost 2.4 billion bushels in 1985/86 alone. Prices were falling to the lowest level in six years.

Feed grain supply and utilization appear to be in substantially better health in 1990. Feed use is projected to total more than 139 million metric tons. Exports are likely to fall from 1989 crop levels, but at 64.1 million metric tons will still be 77 percent higher than the 36.1 million metric tons shipped abroad in 1985/86. Stocks of feed grains are also much closer to preferred levels. 1985 crop feed grain carryover was 152.1 million metric tons. 1990 levels are projected to be only 40 million metric tons.

The earlier downturn in feed grain markets was brought about by a number of factors. The overvalued dollar, slower world economic growth, improved foreign production and domestic agricultural policies all contributed to deteriorating market conditions.

The value of the dollar showed marked increases in the early 1980's peaking in 1985. The nominal trade weighted value of the dollar weighted by corn exports increased by 250 percent between February 1984 and February 1985. In 1985, for the first time, the European Community became a net exporter of coarse grains (an internationally-used term that corresponds roughly to the U.S. term "feed grains"). Soviet demand for U.S. corn fell from 567 million bushels in 1984 to 252 million bushels in 1985. These factors, along with domestic pricing policies, contributed to a fall in the U.S. share of world corn demand from 70 percent for the 1984 crop to only 58 percent for the 1985 crop. A declining market share in a declining market means sharp declines in total exports. U.S. coarse grain exports fell nearly 35 percent between the 1984 and 1985 crop years, with corn exports dropping from 1.9 billion bushels to 1.2 billion bushels.

Export use for feed grains represents only one demand factor—usually only 25 to 30 percent of feed grain demand. Domestic use of corn for example reached the second highest level on record at 5.2 billion bushels with the 1985 crop. Yet at the same time, stocks of feed grains increased dramatically from the 1983 crop to the 1985 crop.

Setting For Development Of The Food Security Act Of 1985

The 1981 legislation provided the Secretary with considerable discretion for controlling the production of feed grains. For the 1981 crop there was no acreage limitation program in place. Following on the drought of 1980, the Secretary determined that a production control program was not warranted. Corn stocks doubled in 1981 to a level that at the time was the highest on record.

Rather than implementing a higher acreage reduction program for the 1982 crop year, the Secretary put in place only a 10 percent ARP. This program took only 3.7 million acres out of production. Despite an increase in total demand of 0.3 billion bushels, corn stocks continued to grow by 1 billion bushels to 3.5 billion bushels at the end of the 1982 crop year.

While export markets are only 25 to 30 percent of total use of corn, the life of the 1981 Act saw exports at levels that, while consistent with much of the 1970's, were well below the peak of 2 billion bushels in 1979. Exports exceeded 2 billion bushels in the 1980 and the 1981 crop years as well. The average levels of 1.85 billion bushels for 1982 through 1984 compared favorably to the mid 1970's, but represented levels below those which producers, industry and government had come to expect.

Faced with a growing and burdensome stock, the Secretary provided for a strong corrective action with the 1983 crop. Under the Payment In Kind (PIK) program, each producer was allowed to idle 10 to 30 percent of his or her base acreage in exchange for government owned corn stocks equivalent to 80 percent of the producer's program yield. Under the PIK program, 32.7 million acres were removed from production. Bad weather and the subsequent decline in yields led to a dramatic fall in production and stocks. Corn production fell by almost half, and corn stocks dropped 2.5 billion bushels to just over 1 billion bushels.

The 1984 program once again reverted to less stringent controls with a 10 percent acreage reduction program. As in 1982, only 4.0 million acres were removed from production. Improved weather conditions and a 20 million acre increase in plantings increased production by 3.5 billion bushels. Stocks again rose, but only to 1.6 billion bushels.

In 1985, the Secretary continued a minimal acreage reduction program. With a 10 percent ARP, participation in the program increased slightly, removing 5.4 million acres from production. The combination of nearly maximum acreage planted, coupled with record yields generated the highest level of corn production in U.S. history at 8.9 billion bushels. As already noted, export demand fell sharply in 1985, and stocks also jumped, reaching 4 billion bushels in 1985.

Effects Of The 1985 Act And The Setting For Development Of This Legislation

Climate, better program management, an improved world economic situation and a continued strong livestock sector through the period since enactment of the Food Security Act of 1985 leave the market in much better condition than existed in 1985. Corn stocks are projected to total only 1.3 billion bushels at the end of the 1989 crop year, and are expected to remain below 1.25 billion bushels for the 1990 crop. Sorghum, barley and oat stocks are also at manageable levels.

In the 1985 Act, Congress mandated the use of a land diversion program for the 1986 crop. Further, Congress established minimum acreage reduction program levels based on corn carryover. Both actions were taken in an attempt to bring feed grain stocks under control.

For the 1986 crop, the Secretary offered the Congressionally mandated 2.5 percent diversion program, combined with a 17.5 percent acreage reduction program. Together, these programs reduced plantings by 13.6 million acres. This was sufficient to reduce production from 1985 levels, even though corn yields established another record. Continued weak export demand, coupled with modest growth in domestic use generated an increase in corn stocks to 4.9 billion bushels. This set a new record not only for overall stocks but also for the corn stocks-to-use ratio.

1986 also saw some dramatic changes in government program operation. The loan rate for the 1985 crop was $2.55 per bushel. The loan rate for the 1986 crop was $1.92. At the end of the 1985 crop year producers held nearly 2.6 billion bushels of corn in the 9-month loan program with a loan rate of $2.55 per bushel. Additionally, there were 565 million bushels of corn under the Farmer Owned Reserve, all under a loan rate of $2.55 or higher attached. The average price received by farmers for corn in September 1986 was $1.45. This implied that the Commodity Credit Corporation (CCC) was in a position to acquire as much as 3.1 billion bushels of corn if program changes were not made. Such acquisitions combined with the 546 million bushels of corn already owned by the CCC would have meant the Federal Government owned enough corn to supply the entire U.S. livestock industry for a year.

In order to make the transition from the 1981 Act to the 1985 Act, the Secretary initiated a generic certificate program. Producers received certificates in lieu of cash payments for deficiency, diversion and CRP payments. These certificates could be held for a set period of time and exchanged for cash, or the producer could utilize the certificate to, in effect, repay the nonrecourse loan still in effect for the 1985 and earlier crops. Rather than effectively paying the loan off at the $2.55 or higher loan rate, producers were able to pay off the loan at a "posted county price." The posted county price was established by the Secretary based on terminal market prices and adjusted for transportation to country locations. The use of certificates allowed producers to repay loans, in some cases, for as little as $1.00 per bushel. This action did not prevent all of the grain under 9-month loan from being forfeited to the CCC, but it did help reduce forfeitures substantially. From the start of the program in 1986 through April 30, 1990, loans on 8.0 billion bushels of corn, 518 million bushels of sorghum, 218 million bushels of barley and 2 million bushels of oats have been "paid off" through the use of certificates.

Certificates were effective in allowing the transition from high to lower loan rates. They have also been effective through the life of the 1985 Act in allowing the Secretary to move CCC owned grain onto the market. The CCC legislated minimum resale price for corn for the 1986 crop was $3.33 per bushel. Yet during the same year, producers and the grain trade were able to obtain CCC grain for an average of $1.50 per bushel by using certificates. In effect, this eliminates the nonrecourse loan rate as an effective floor to market prices, as long as significant amounts of grain are under government ownership so as to insure certificate markets liquidity.

The 1987 crop saw continued action to bring production in line with demand. The Secretary continued to offer a paid diversion

and a high acreage reduction program. For 1987 the Secretary offered a 15 percent paid diversion and a 20 percent acreage reduction program. The acreage reduction program level was required by statute. These programs, together with some early participation in the Conservation Reserve program reduced corn planting by 21.1 million acres. Demand in 1987 increased by nearly 0.4 billion bushels to the highest level in history to 7.8 billion bushels. Stocks fell for the first time in four years to 4.3 billion bushels.

In 1988 a number of factors converged to correct the problems stemming from the 1984 through 1986 management of the feed grain programs. The Secretary continued to offer strong production control programs. For 1988, the Secretary continued a 20 percent acreage reduction program. The paid diversion program was reduced to 10 percent. Participation in the CRP also removed feed grain land from production, as did a Congressionally mandated "0/92" program. Between the various programs, 23.6 million acres were removed from production. More effective than the production control programs, however, was the drought of 1988. Corn yields fell 35.2 bushels per acre or nearly 30 percent from 1987 levels. Production declined by 2.2 billion bushels. While prices increased by $0.60 per bushel, corn prices only reached $2.54 per bushel, limiting the effects on demand for feed grains. Corn use fell in 1988, with feed utilization declining by more than 0.8 billion bushels. Exports and food use increased, however, by more than 0.3 billion bushels. Due to the marked reduction in production, ending stocks of corn declined to 1.9 billion bushels.

With the decline in stocks, the Secretary did away with paid diversion programs for the 1989 crop. Further, since corn stocks did not exceed 2.0 billion bushels, the largest ARP the Secretary was permitted to require was 12.5 percent. The Secretary actually required less, setting the ARP rate at 10 percent. The 0/92 program and the CRP were also in place for 1989, reducing acreage by 10.8 million acres. Yields recovered in 1989, but not to the record levels of 1987. Both export and domestic demand increased substantially in 1989. By the end of the crop year, total use is expected to increase more than 0.9 billion bushels, even with market prices averaging only $0.10 to $0.15 per bushel less for the marketing year. Domestic demand will increase 0.6 billion bushels, while export demand should grow by more than 0.3 billion bushels by August 31, 1990. This is expected to further reduce ending stocks of corn, to 1.3 billion bushels by August 31, 1990.

With stocks at reasonable levels, the Secretary continued to implement a 10 percent ARP for the 1990 crop. While the crop has not yet been harvested, it is expected that stocks will continue to decline, and that market prices should remain well above the loan rate. Any weather difficulties, domestic or foreign, could lead to sharply higher prices.

With stocks of corn and other feed grains under control, and with domestic and foreign demand strong, it is important to examine the differences between the 1981 Act and the 1985 Act and what effect the respective laws had on market conditions. Many will point to the reduction in the loan rate and its ability to make U.S. feed grains more competitive in world markets as well as the certificate program which allowed stocks to enter market channels

freely as key changes between 1981 and 1985. Certainly these were important factors. Without the lower loan rates, it is possible that some of the export and domestic demand growth would not have occurred. However, other factors such as the decline in the value of the dollar, or Soviet purchase decisions, or economic growth in Southeast Asia have also had significant effects on U.S. feed grain exports. Growth in demand for food and industrial use of corn in particular has been brought about, in part, by other Federal policies. Unquestionably, the fact that corn production was not isolated from the market by government loan programs was a significant factor. But that alone would probably not have been sufficient to bring feed grain stocks to manageable levels.

Proper management of ARP's and paid land diversions over several years of the 1985 legislation has been vital to bringing stocks under control. The drought of 1988 certainly aided in this, but in contrast to the aftermath of the 1983 drought, stocks did not increase in 1989, nor are they expected to rise in 1990. Management of stocks is particularly important in a crop that can undergo such wide swings in production. The management of these stocks through pricing and production policies have made the difference between the 1981 Act and the 1985 Act.

The Outlook for the Feed Grain Industry

The feed grain market in the United States is dominated by corn. Total feed grain plantings in 1982 totaled 121.4 million acres. Corn alone accounted for 67 percent (81.9 million acres) or roughly two-thirds of total feed grain plantings. Other feed grains include sorghum (16.0 million acres), barley (9.5 million acres) and oats (14.0 million acres).

In 1989, feed grains were planted on 105.5 million acres, with corn again accounting for roughly two-thirds or 68 percent (72.3 million acres) of feed grain acreage. Sorghum was planted on 11.9 million acres, barley on 9.2 million acres and oats on 12.2 million acres.

The largest single demand category for feed grains is as a livestock feed. On a bushel-for-bushel basis, sorghum has 95 percent of the feed value of corn. Barley is next at 77 percent of corn, with oats at the lowest level of feed value at 51 percent.

On a weight basis, however, the various feed grains compare more favorably. Sorghum and corn both weigh 56 pounds per bushel, making the feed value of sorghum 95 percent of corn on a weight basis. Barley however weighs 48 pounds per bushel and oats weigh 32 pounds, making their feed value on a pound-for-pound basis much closer to that of corn at 90 percent for both barley and oats.

While use for feed represents the common thread for the four grains, each has its own specific market. Corn has a large and growing domestic market for food and industrial purposes. Oat demand for food purposes has also increased significantly in the past five years. Beverage use represents a major demand category for barley. Sorghum is the only feed grain that is used almost entirely for feed. Food, seed and industrial use accounts for less than 1 percent of total use of sorghum. Because each feed grain has its

own characteristics, the market for each will be briefly described separately.

Corn

Cash receipts from corn make it the largest single crop by dollar volume. It competes with wheat for the largest single-commodity share of U.S. farmland. Demand for corn is made up of three separate components—feed use, export use and food, seed and industrial use.

Feed use for corn is determined primarily by the livestock industry. Feed use generally runs in the 4 to 4.7 billion bushel range out of a total use of 7.3 to 8.2 billion bushels. Feed use of corn is determined as a residual, or as the difference between estimates of production and knowledge of actual use for exports or other purposes. Feed use is difficult to determine directly because a significant amount is consumed on the farm where it is produced. This makes official estimates of feed and residual use directly dependent on the accuracy of production estimates.

For the next five years covered by this legislation, the livestock sector is expected to show only modest growth. The Congressional Budget Office projects that feed utilization of corn will grow by only 100 to 125 million bushels. Others, such as the Food and Agricultural Policy Research Institute (FAPRI) project that feed use will show some initial stagnation, to be replaced by more rapid growth by the end of the period.

Food, seed and industrial use of corn has shown steady growth over the past several years. In 1980, food, seed and industrial (FSI) use totaled 0.7 billion bushels. In 1990, FSI use is projected to grow to 1.3 billion bushels. Since 1971, FSI use has not fallen from year earlier levels.

Food use for corn is made up of sweeteners, starch, wet and dry milled alcohol production, dry milled and alkaline cooked products and seed. Demand for High Fructose Corn Syrup (HFCS) has grown dramatically over the past ten years. HFCS use totaled 127 million bushels in 1979. In 1989, HFCS use totaled 380 million bushels. Used in soft drinks, HFCS now is the dominant caloric sweetener utilized by the soft drink industry. While demand for corn for HFCS use is expected to remain strong, it is unlikely that the same rate of growth will be maintained over the next five years. HFCS has already essentially saturated the soft drink market, leaving little room for further expansion. Further, consumer shifts to non-caloric sweeteners could reduce overall demand for HFCS.

Alcohol use of corn has also shown marked increases over the past. Wet and dry milled alcohol production utilized 25 million bushels of corn in 1975, in 1985, 312 million bushels. In 1989, it is projected that 360 million bushels of corn will go to alcohol production. The passage of the Clean Air Act and its mandate for oxygenated fuels may provide further increases in alcohol demand over the next five years.

Sorghum

As mentioned earlier, sorghum is utilized almost entirely for feed. Total domestic use for the 1989 crop is estimated at 540 million bushels, with 525 million bushels in feed and residual use. Sor-

ghum feed use is more dependent on the beef cattle industry that is the case for corn. Sorghum accounts for only 6 to 8 percent of all concentrates fed (including all feed grains, oilseed meals etc.), but for beef cattle, sorghum accounts for 18–22 percent. For hogs and poultry sorghum accounts for 3 and 6 percent, respectively.

Five states produce 81 percent of the U.S. sorghum crop: Kansas, Missouri, Nebraska, Oklahoma and Texas. There have been major shifts in the past 10 years toward concentration of sorghum production in Kansas. 29 percent of all sorghum planted in the U.S. in 1980 was in Kansas. In 1988, nearly 35 percent was planted in Kansas. The southern plains states of Kansas, Texas, Nebraska and Oklahoma also accounted for 65 percent of cattle marketed in 1988.

Due to its production regions, sorghum faces competition not only from other feed grains, but from wheat as well. Particularly in the early stages of the 1985 legislation, wheat prices were low enough to make wheat a competitive feed. The feed value of sorghum is 95 percent of that of corn on a pound for pound or a bushel for bushel basis. Wheat feed value is 105 percent on a weight basis, and 113 percent on a volume basis. This implies that anytime wheat prices get within 15 to 20 percent of sorghum prices, cattle feeders can consider shifting to wheat.

Wheat prices are expected to decline in the next crop year. While the season average price projections for wheat and sorghum do not suggest strong competition from wheat, there will likely be periods of time shortly after wheat harvest in Kansas and other southern plains states when wheat will take away some feed demand from sorghum. Over the life of this legislation sorghum prices are expected to decline from 1990 levels, making sorghum more competitive. Feed use for sorghum should remain in the 475 to 525 million bushel range.

Barley

In contrast to corn and sorghum, food, alcohol and industrial (FAI) uses of barley have been larger in some years than feed use. For the drought-reduced 1989 crop year, FAI use accounted for 180 million bushels. With a more normal crop, feed use usually accounts for three-fifths of production. Feed use accounted for 177 million bushels.

Like the other feed grains, barley competes directly with corn for feed markets. Fluctuations between corn and barley prices have a greater effect on feed use for barley, than price changes in barley alone. Since most projections of barley production and use do not include factors such as bad weather that would affect the relationship between barley and corn prices, feed use for barley is expected to remain between 200 and 300 million bushels.

Use of barley for malting purposes accounted for 36 percent of barley use in 1987. Most malt produced in the U.S. is used in beer production. Demand for malting barley is essentially unaffected by price changes in barley. There is no alternative grain. Barley malt is the most important grain product used by brewers, accounting for two-thirds of the total grain and grain products used by the brewing industry. Demand for malt barley, however, has shown only modest growth over the past decade. FAI use of barley totaled

176 million bushels in 1979, and is expected to total 180 million bushels in 1989.

The amount of barley used for malting purposes can have a significant effect on the operation of the feed grain program. Prior to the passage of the 1985 legislation, the difference between malting and feed barley averaged $0.20 to $0.25 per bushel. Since the passage of the 1985 legislation, the difference has increased significantly. This has been particularly true in the droughts of 1988 and 1989. In 1988, the average malting barley price for the first five months of the marketing year was $3.26 per bushel, while at the same time the average feed barley price was $2.30 per bushel. In computing deficiency payments—the direct income support provided by the Federal programs—feed and malting barley prices are combined to give an all-barley price. The average price received for barley for the first five months of the 1988 crop year was $2.79 per bushel. The $0.49 per bushel difference between feed and all barley prices is important in computing deficiency payment rates. The barley target price for the 1988 crop was $2.51 per bushel. If deficiency payments were computed based strictly on feed barley prices, the payment rate would have been $0.21 per bushel - within $0.09 per bushel of the amount producers received in the form of advance deficiency payments. Since the all barley price averaged $2.79 per bushel however, there were no deficiency payments made for the 1988 crop, which required producers who received advance deficiency payments to repay the $0.30 per bushel advance payment.

Oats

Similar to corn, feed use of oats accounts for the majority of oat demand. Oats are particularly good as a feed for horses and cattle breeding stock. Some of the same reasons that oats have found favor as human food make oats particularly good as a conditioning feed for livestock. High fiber content, more protein with less energy than corn and a feed that forms a loose mass in the stomach make it good in starter rations for dairy cattle and hogs. Most oats grown are fed on the farm where they are produced. Of the 374 million bushels produced in 1987, 224 million bushels were utilized on the farm where they were produced. Commercial use of oats as a feed is expected to continue the historical decline that has been observed since the 1950's. With greater emphasis on oats as a food grain instead of a feed grain, the price of oats makes it uncompetitive with corn or other feed grains for most feed purposes. On a volume basis, the feed value of oats does not compare well with corn at only 51 percent corn equivalent.

Food use of oats presents a different picture. Recent medical research has suggested that certain fibrous plant materials in the diet can lower serum cholesterol concentrations. Food consumption of oats has increased significantly over the past few years with 90 million bushels used for food purposes in 1989. Food use is expected to continue to increase over the next few years, with up to 130 million bushels expected to be used in 1991.

In recent years, the U.S. has moved from being a major exporter to a major importer of oats. As recently as 1981, the U.S. was a net exporter of oats. In 1983, oat imports rose significantly to nearly 30

million bushels. Since then, oat imports have continued at relatively high levels, reaching 65 million bushels in 1989. Returns from oat production do not compare favorably with other feed grains. This is of particular importance with respect to barley since oats competes with barley for some of the same land. The target prices for feed grains under the 1985 Act are based on their relative feed values compared to corn. Since oats have a low feed value relative to corn or barley, the oat target price is much lower than that for barley or corn. For the 1990 crop, the oats target price is set at $1.45 per bushel, while the corn and barley target prices are $2.75 per bushel and $2.37 per bushel, respectively. This is one reason why harvesting of oats in the U.S. has continued to decline, particularly in the past five years.

Export Markets

Export markets for feed grains must be considered in context with all other feed sources. While corn is the dominant exportable feed grain, sorghum and barley also compete. Barley is the second largest coarse grain consumed in the world, but like corn, it competes with other feed grains, but also with feed wheat, grain by-products, manioc and citrus pulp.

Like those for other crops produced in the U.S., the export market holds both promise and uncertainty over the next five years.

Major Importers

Japan is usually the world's leading importer of corn, accounting for over 20 percent of world corn imports, and the majority of world sorghum imports. Other substantial markets include the Soviet Union, the European Community, Mexico, South Korea and Taiwan. Most recent demand growth however, has come from centrally planned and developing countries as those nations have had rapid increases in meat demand.

The Japanese have a particular interest in sorghum imports for their poultry industry. Japan accounts for 40 to 60 percent of world sorghum imports. In particular, Japan seems to prefer the coloring provided to poultry products by using sorghum as opposed to yellow corn. Including corn in feed rations to broilers tends to cast a yellow coloring to the meat that the Japanese consumer does not prefer. Feeding sorghum precludes this coloring, leaving the poultry meat white. As Japan's economy continues its growth, exports of feed grains to Japan should continue to be strong. Opening the Japanese market to U.S. beef and other meat products may affect the market over the longer term.

One of the largest importers of corn is the Soviet Union. Because the Soviet Union makes such large purchases, the U.S. has entered into a number of long term grain agreements with the Soviets. The latest Long Term Grain Agreement (LTA) has been signed and should last through the life of this legislation. Under that agreement, the Soviets are to purchase annually 4 million tons of coarse grains, 4 million tons of wheat and up to an additional 2 million tons of wheat, coarse grains, soybeans or soybean meal. Flexibility is also provided so that the Soviets may substitute up to 750,000 tons of one grain for another. The Soviets may increase their pur-

chases above these levels, up to an initial limit of 22 million tons without prior consultations.

As efforts are made in the Soviet Union and in other Eastern European countries to improve meat supplies, it is likely that feed grain imports will continue, and perhaps increase over the next five years. Of particular concern, however, are soft wheat supplies from other major competitors, especially the European Community.

Developing economies represent significant growth markets for feed grains. As other countries in the Pacific region begin to improve their economic structure, it is likely that there will also be a shift toward more protein in their diets. This protein demand is usually filled with meat products. While some of these countries will likely continue to develop their own production capabilities, it is expected that their demand for feed grain imports will grow over the next five years. Broiler production and aquaculture are two areas where growth is expected.

Eastern Europe is also an area of expected growth in demand. Here too, as these economies begin to shift more toward the production of consumer goods, it is expected that improved diets will follow. Important in these diets will be increased levels of meat, some of which will be produced within the country. Given the lack of feed grains in some Eastern European countries it is likely that there will be increased export opportunities for the U.S. This is particularly likely as the U.S. provides concessional sales to these countries.

Mexico and other Latin American countries have been markets for U.S. feed grains in the past. Access to financing is a major issue to these countries. During the late 1970's when credit was readily available, much of Latin America imported U.S. feed grains in significant volumes. With the limit on credit availability, and the need to service foreign debt, many of the countries have sharply curtailed their imports of feed grains. This has been particularly true of Mexico. With its large debt load, any increase in U.S. interest rates translates into a significant increase in debt service requirements for Mexico. The same is true for several other Latin American countries. This can have a significant impact on these countries' ability to purchase U.S. feed grains.

Major Competitors

Major coarse grain exporters include Canada, Australia, Argentina, South Africa, Thailand and China. While the U.S. is the dominant coarse grain exporter, individual markets, and market share in particular can be significantly affected by these other exporters.

Argentina has been a major competitor for corn exports in the past. Argentine corn exports peaked at 358 million bushels in 1980. Corn and total coarse grain exports from Argentina have fallen since dropping to 4.2 million metric tons in the 1988 marketing year. Argentina will continue to pose a threat to U.S. feed grain exports, but probably in the form of soft wheat rather than coarse grains. Argentina has also been successful at negotiating long term trade agreements with a number of countries. The Soviet Union uses Argentina as a main source of corn and sorghum outside of the U.S. Argentina also has bilateral trade agreements with China, Mexico, Iraq, Algeria, Cuba and others. Argentina utilizes the

world market as a shock absorber for its own domestic production. Therefore, fluctuations in Argentine production due to weather are likely to have a greater short-term effect on U.S. feed grain exports than the longer-term, less volatile shifts in Argentine production patterns.

Canada is not a major corn producer, but Canada is a major competitor for barley markets. Barley is the second largest crop produced in Canada, and Canada produces more barley than the U.S. Barley is produced primarily in the western part of Canada. About 40 percent is fed to livestock and nearly 60 percent is exported. Barley area in Canada competes primarily with rapeseed. As the U.S. shifts toward more domestic production of rapeseed, it is possible that one offshoot of this policy change will be additional barley production in Canada. Canada has long term agreements with Brazil, China, Cuba, Japan, the Soviet Union, West Germany and Lebanon for feed grain sales.

Australia also represents a major competitor in barley exports. Australia provides no minimum guarantees on barley prices for its producers, and area planted to barley has been declining since reaching record highs in 1984/85. While Australian yields are much less than those of most other countries, availability of land contributes to the Australians' ability to produce barley competitively. A longer-term concern about Australian production is the effect of opening Japan's markets to meat imports. While most cattle are grazed in Australia, finishing the animals with grain to provide some marbling may reduce exportable supplies of barley in the future.

The European Community (EC) may be listed as both a competitor and customer for U.S. feed grains. In the case of corn, the EC has represented a significant market in the past. As recently as the 1983 marketing year, the EC imported 314 million bushels of U.S. corn. For the 1987 marketing year, shipments fell to 104 million bushels. At the same time that U.S. corn exports to the EC have fallen, the EC has continued to be a major competitor for soft wheat markets. With the prospects for a bumper wheat harvest in the 1990 marketing year, the EC has already appropriated additional funds for export subsidies and has opened large, early-season export tenders to initiate an aggressive export program. Much of this wheat will compete not for traditional wheat food markets, but for feed uses. While the EC is gearing up to export wheat, it has begun selling government owned stocks to cover temporary shortages, and is also importing more corn than usual in anticipation of reduced French and Italian crops.

China also represents a wild card in projecting feed grain exports. China has been an exporter of feed grains in recent years, with exports of corn in particular reaching 145 million bushels as recently as 1988. Since then, Chinese net exports have fallen, and are expected to reach only 90 million bushels for the 1990 crop.

In summary, the export market for feed grains in the short run is attractive. While exports are expected to fall slightly for the 1990 crop relative to the 1989 crop, dropping from 68.5 million metric tons in 1989 to 64 million metric tons in 1990, the prospect for the next five years is for continued growth. Some private ana-

lysts are projecting corn exports to average in excess of 2,700 million bushels for the mid-to-late 1990's.

PURPOSE AND NEED

Corn competes closely with soybeans as the crop with the highest level of cash receipts in the U.S. In the Corn Belt states of Illinois, Indiana and Iowa, the combination of cash receipts for feed grains and government payments for feed grains made up 38, 33 and 29 percent respectively of cash receipts to farming in those states. In some of the Great Plains states, feed grains are not as dominant a product as wheat, yet they provide significant alternative crops to wheat. It is the purpose of the feed grain price and income support program to provide stability in feed grain producers' income through price, income support, production control and stock management programs. It is also the intent of this legislation to provide stability in feed grain prices for the livestock industry.

The legislation also provides for an extension of current discretionary disaster assistance programs and for a new targeted option program which will allow producers to select different levels of ARP's in exchange for varying target price protection.

The basis for the feed grain program is contained in section 401 of title IV of the legislation. The section amends the Agricultural Adjustment Act of 1949 and lays out the feed grain program for the 1991-1995 crop years.

Loans and Purchases

The legislation continues the current requirement that the Secretary make available to producers loans and purchases for the 1991/92 through 1995/96 crop of feed grains. In carrying out the loan and purchase program, the Secretary is required to select from one of two plans.

Basic loan rate.—The basic loan rate for feed grains is established at not less than 75 percent to 85 percent of the olympic average of the past five years' corn prices. In no case shall the basic loan rate be less than $1.96 per bushel, nor shall the basic loan rate be allowed to decline by more than 5 percent in any year.

Authority to reduce loan rate.—The Secretary is authorized to reduce the loan rate if the Secretary determines that the average price received by producers for feed grains in the previous marketing year was not more than 110 percent of the loan rate for the marketing year or if the Secretary determines that reducing the loan rate is necessary to maintain a competitive market position for feed grains. The Secretary may reduce the loan rate by an amount the Secretary determines necessary, but in no case by more than 20 percent from the basic loan rate.

The Committee notes that the Secretary has made use of similar authority under the 1985 Act. The Committee also notes that the Secretary has made use of the provision even when market prices were averaging well above 110 percent of the basic loan level. Loans and purchases are also required for sorghum, barley, oats and rye at such level as the Secretary determines is fair and reasonable in relation to the level of loans and purchases are available for corn, taking into consideration the feeding value of corn.

Under the provision adopted by the Committee, the Secretary will be required to report to the House and Senate Committees if the Secretary chooses to reduce loan rates.

Advance compensation.—If the Secretary chooses to reduce the loan rate below the basic loan level, the Secretary is required to provide producers with advance compensation. The amount of the advance compensation shall be determined by the product of the estimated individual farm program acreage, the farm program payment yield, and an amount determined by multiplying 0.75 by the dollar amount of the reduction in the loan level from the basic loan rate. As an example, with the basic loan rate set at $1.96 per bushel, if the Secretary determined it was necessary to reduce the loan by 20 percent to $1.57 per bushel, the Secretary would be required to provide producers with advance compensation of $0.29 multiplied by the farm program payment yield multiplied by the individual farm program acreage.

The legislation provides that a producer who receives the advance compensation shall repay the compensation to the Secretary not later than 270 days after the beginning of the marketing year. No interest payments shall accrue on the compensation prior to 270 days after the beginning of the marketing year. The funds are to be repaid, however, repayment may be provided through reductions in future payments. Should a producer not repay, the Secretary may take other action, such as precluding participation in future programs until such funds are repaid or offsetting other Federal payments due the producer, or take legal action.

Repayment of feed grain loans.—In repaying loans, irrespective of whether or not the Secretary has chosen to reduce the loan rate from the basic loan rate level, the loan may be repaid at the lesser of the loan level for the crop, or the prevailing world market price. The Committee intends that the Secretary should provide for this form of repayment when utilizing either the world market price, or the alternative repayment rate methodology provided for in this legislation.

The Secretary shall issue regulations that determine the formula used to determine the prevailing world market price, and allow for adjustments to U.S. quality and location. The Committee intends that the Secretary should provide location adjustment not only from world markets to the U.S., but within the domestic market as well. In carrying out this provision the Secretary may provide for location differentials on a county-by-county basis as is now done in setting loan rate differentials, or in the establishment of posted county prices.

Alternative repayment rate.—The Secretary may establish alternative repayment rates for loans if the Secretary determines that, by setting an alternative repayment rate, loan forfeitures can be minimized, the cost to the Federal government can be minimized, and domestic feed grains will be competitive in domestic and international markets.

The Committee intends that by providing the Secretary with considerable discretion regarding the repayment price for feed grain loans, government acquisition of feed grain stocks can be minimized.

Loan Deficiency Payments

The Secretary is authorized to make payments available to producers who, while eligible to obtain a loan, agree to forgo obtaining a loan in exchange for a loan deficiency payment. Loan deficiency payments are to be computed by multiplying the loan payment rate by the quantity of feed grains the producer is eligible to place under loan. The loan payment rate is the amount by which the loan level exceeds the level at which loans can be repaid under the earlier section.

Deficiency and Disaster Payments

Deficiency payments.—The Secretary shall make deficiency payments to producers. Deficiency payments shall be computed as the product of the payment rate, the individual farm program acreage and the farm program payment yield.

The payment rate for the feed grain in question shall be the amount by which the established or target price for the feed grain exceeds the higher of the national weighted average market price for the first 5 months of the marketing year, or the loan level for the crop.

An exception to this rule is provided for barley. Currently the Secretary computes barley deficiency payments based on an all barley price that incorporates both malting and feed barley prices. The legislation establishes that for purposes of computing barley deficiency payments, the maximum difference between malting and feed barley prices shall be $0.22 per bushel. If malting barley prices exceed feed barley prices by less than $0.22 per bushel, then the actual difference between malting and feed barley prices should be utilized. If malting barley prices exceed feed barley price by more than $0.22 per bushel, when computing deficiency payments, the Secretary is only authorized to utilize a malting barley price $0.22 per bushel above the feed barley price.

Established or target price.—The established, or target, price for corn shall be not less than $2.75 per bushel. The target price for sorghum shall be not less than $2.61 per bushel and the established price for barley shall be not less than $2.36 per bushel.

For oats the legislation establishes an escalating target price in order to encourage more oat harvesting. The target price shall be $1.55 per bushel for the 1991 crop, $1.65 per bushel for the 1992 crop, $1.75 per bushel for the 1993 crop and $1.85 per bushel for both the 1994 and 1995 crops.

The Committee wants to make clear that these levels represent a floor on target prices for each feed grain in question, and points out that the Secretary has legislative authority to set the target price at a higher level, should the Secretary choose to do so.

Emergency compensation payments.—If the Secretary chooses to reduce the loan level below the basic loan rate, the Secretary shall provide emergency compensation payments to producers. In providing emergency payments, the Secretary shall increase deficiency payments by an amount that provides for the same total returns to producers as if the adjustment in the loan rate was not made, taking into consideration any deficiency payments that would otherwise be made.

In determining the payment rate for emergency compensation payments, the Secretary shall use the national weighted average market price for the first 5 months of the marketing year. The Committee recognizes that under the 1985 Act this calculation was made on a 12 month basis. Under the 1985 Act, producers of some commodities were in a position to receive deficiency payments for the same crop in three separate fiscal years. By shifting to a calculation based on the first five months, all direct payments to producers will be made within two fiscal years. The emergency compensation payment is a direct payment and is not subject to repayment, subject to the terms and conditions of this legislation.

It is also not subject to the $50,000 payment limit.

The Committee intends that the Secretary utilize the same methodology of computing barley prices under this provision as was laid out under the regular deficiency payment calculation.

Devoting acreage to conservation uses or 0/92.—The legislation continues the program to allow producers to receive deficiency payments for planting less than their entire permitted acreage to feed grains—the so called 0/92 program—essentially intact from the 1985 Act.

If the Secretary implements an acreage limitation program for a specific feed grain and a producer devotes a portion of the permitted feed grain acreage equal to more than 8 percent of the permitted feed grain acreage for the farm or all of such permitted acreage to conservation uses or other uses as defined in the legislation, the portion in excess of 8 percent shall be considered planted to the specific feed grain for purposes of determining the individual farm program acreage used in making payments. The term "conservation uses" applies to acreage not planted to the specific feed grain under this program. In providing payments to producers who utilize the program, a minimum payment rate shall be established at time of signup for the program.

As was the case for 0/92 in the earlier Act, the Secretary is directed to implement the program in such a manner as to minimize the adverse effect on agribusiness within any county. In order to minimize the effect, the Secretary may restrict the total quantity of acreage that may be taken out of production under this program. Any restriction imposed on participation in this program shall not apply in a county that has been declared eligible to receive disaster emergency loans as a result of a disaster that occurred during the crop year.

The feed grain crop acreage base and the farm program payment yield shall not be reduced due a producer's participation in this program. Any acreage considered to be planted to the specific feed grain under this program may not be considered as conserving use acreage for any other program.

Conserving crops.—The Secretary may permit all or any part of acreage otherwise devoted to conservation uses as a condition of being eligible for the 0/92 program to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. The Committee wishes to make clear that the Secretary has the discretion

to choose to allow or disallow individual crops from inclusion on this list. The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

In a change from the 1985 Act, the legislation requires the Secretary to permit the planting of sunflowers, rapeseed, canola, safflower, flax and other minor oilseeds designated by the Secretary (excluding soybeans) on conservation use acreage. The Committee intends that a producer may choose between receiving the feed grain deficiency payments or retaining loan protection for the permitted oilseed. The Committee notes that for the 1990/91 crop year that the Secretary permitted the planting of certain crops on conservation use acreage but that the Secretary reduced the number of acres on which a producer eligible to receive deficiency payments. Under the proposed provision a producer could elect to continue to receive deficiency payments on all eligible acreage. However, should a producer plant the designated oilseed on conservation use acreage and elect to receive feed grain deficiency payments on acreage planted to the permitted oilseeds, the producer must agree to forgo eligibility for any loan protection for any such oilseed produced on the farm.

Any payments a producer would be eligible to receive under the 0/92 program shall be reduced by the quantity on which any disaster payment is made.

Disaster payments.—The legislation continues earlier Secretarial discretion for providing disaster payments. Included are provisions for both prevented planting and reduced yield payments. The Secretary is required to provide for payments to producers who suffered prevented plantings or reduced yields, however, producers shall not be eligible for either payment if Federal Crop Insurance was available to the producer.

If a producer is prevented from planting, and crop insurance is not available, the Secretary shall provide a prevented planting payment to the producer based on the number of affected acres, 75 percent of the farm program yield and 33.3 percent of the established price for the specific feed grain.

If a producer suffers reduced yields because of drought, flood or other natural disaster, and crop insurance is not available, the Secretary shall provide a payment to such producer. The payment shall be a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

While the Secretary is precluded from making disaster payments to a producer if crop insurance was available, the Secretary may make payments to producers who suffer from a disaster, but who also were offered crop insurance. The Secretary may make these payments if the Secretary determines that the losses have created an economic emergency for the producer, and that insurance payments will not be sufficient to offset the economic emergency. The Secretary is also authorized to adjust such payments so as to ensure the equitable allotment of payments among producers.

Payment Yields

The farm program payment yields for feed grains shall be determined under Title V of the 1949 Agricultural Adjustment Act as amended by this legislation.

Acreage Reduction Programs

If the Secretary determines that the total supply of a specific feed grain, in the absence of an acreage limitation program, will be excessive, the Secretary may provide for an acreage limitation program for a specific feed grain. This represents a change from prior legislation. The Committee intends that the Secretary consider offering differing acreage reduction programs for specific feed grains. This action has been allowed in the past by Congress for oats. This legislation extends that authority to all feed grains. In determining the need for an acreage limitation program the Secretary shall take into consideration the number of acres placed in the Conservation Stewardship Program.

Announcement of program.—If the Secretary elects to implement an acreage limitation program, the Secretary shall announce the program no later than September 30 prior to the calendar year in which the crop is harvested. This extends the current provision regarding program announcement. Not later than November 15 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the program announced no later than September 30. The Secretary is only authorized to make any such changes if the Secretary determines that there has been a significant change in the total supply of the specific feed grain since the first announcement. Provision is made to announce the program as soon as is practicable for the 1991 crop only.

Ineligibility for loans, purchases and payments.—As a condition of eligibility for program benefits, with exceptions provided for in the legislation, producers must comply with the terms and conditions of the acreage limitation program announced by the Secretary.

Carryover stocks.—The 1985 Act provided that acreage limitation programs would be established based on specific stock levels. The legislation continues a requirement for acreage limitation programs, but such programs shall be established based on the ratio between ending stocks to total disappearance. The Committee recognizes that, as demand for (corn) feed grains change, a fixed level of stocks may not be appropriate.

For each of the 1991–1995 crops of corn, if the Secretary estimates for a marketing year that the ratio of corn ending stocks to total disappearance of corn for the marketing year will exceed 25 percent, the Secretary shall establish an acreage limitation program of at least 12.5 percent but not more than 20 percent. If the projected stocks to use ratio is less than 25 percent, the Secretary shall implement an acreage limitation program of not more than 12.5 percent. The legislation specifically provides that the Secretary may establish an acreage limitation program of 0 percent.

Total disappearance is defined as the sum of all corn utilization including total domestic use, total export use and total residual dis-

appearance. Feed utilization of corn shall be considered as either domestic use or residual disappearance.

If a feed grain acreage limitation program is announced, the limitation is to be achieved by applying a uniform percentage to the feed grain crop acreage base.

Ineligibility for program benefits.—With an exception provided under Title V of the Agricultural Act of 1949 as amended by this legislation and a pilot program included in the legislation, any producer who knowingly produces a specific feed grain in excess of the permitted feed grain acreage shall be ineligible for any specific feed grain program benefit.

Feed grain crop acreage bases.—Feed grain crop acreage bases are to be established under Title V of Agricultural Act of 1949 as amended by this legislation.

Reduced acreage.—In a change from current legislation, the method of computing the number of acres that shall be removed from production is determined by multiplying a percentage determined by the Secretary on an annual basis by the producer's specific feed grain acreage base. This is intended to simplify the current method utilized in implementing acreage limitation programs. For example, the 1989 support program required that "An acreage equal to 11.11 percent of the planted acreage on which must be maintained in approved conservation uses . . ." in order to implement a 10 percent acreage limitation program.

The number of acres resulting from the new calculation shall be referred to as "reduced acreage", while the remaining acreage shall be referred to as "permitted acreage".

Planting oilseeds or other crops on reduced acreage.—Producers may plant an oilseed or other crop considered appropriate by the Secretary on no more than one-half of the reduced acreage on the farm. If a producer elects to make use of this provision, the Secretary shall reduce the amount of acreage the producer is eligible to receive deficiency payments by an amount determined appropriate by the Secretary. It is possible that the Secretary may determine that an amount greater or less than one acre reduction in permitted acreage is appropriate. If more than one crop is produced on the farm, the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted to all program crops.

The Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that there is no additional cost to the Commodity Credit Corporation.

Planting conserving, experimental or industrial nonprogram crops on reduced acreage.—Similar to the provision for oilseeds, this section provides that producers may plant conserving, experimental or industrial nonprogram crops on reduced acreage. The Secretary shall determine which crops are allowed to be planted on reduced acreage. In contrast to oilseeds, the secretary producer may elect to plant an approved crop on the entire reduced acreage, and the Secretary must reduce the amount of deficiency payment that would be made by an amount equivalent to one acre of the program crop for each newly planted acre. Proration is required if the producer plants more than one program crop.

Targeted Option Payments

In an effort to provide the producer with additional planting flexibility, the legislation provides for a Targeted Option Payment program (TOP). In general, under TOP, a producer may increase the acreage reduction requirement for the farm in exchange for an increase in the established price. The Secretary is directed to increase the established price by 0.5 to 1 percent for each percentage increase from the announced acreage limitation program. Likewise, the producer may decrease the acreage reduction requirement for the farm in exchange for a decrease in the established price.

Under the TOP program, a producer would not be allowed to increase the acreage reduction requirement by more than 5 percent in 1991 or 10 percent in 1992-95 (or above 20 percent total).

The producer may reduce the acreage limitation program by no more than one-half of the announced acreage reduction program.

The Secretary shall ensure that the TOP does not have a significant effect on program participation or on total production.

Administration

Regulations issued by the Secretary regarding reduced or conservation acreage shall ensure the protection of acreage from weeds, wind and water erosion.

Annual or perennial cover.—A producer who participates in an acreage reduction program shall be required to plant an annual or perennial cover on 50 percent (or more, at the producer's option) of the acreage that is required to be removed from production. Not more than 5 percent of the crop acreage base shall be established in perennial cover.

If a producer elects to establish a perennial cover on the acreage, the Secretary, through the CCC shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on no more than 5 percent of the crop acreage base for the specific feed grain crop. If a producer elects to utilize this program, and receives cost share, the producer shall agree to maintain the perennial cover for a minimum of three years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. As was the case for the 0/92 program, the Secretary may select individual crops from the above list to allow or disallow to be planted on reduced acreage.

The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

Haying and grazing.—Haying and grazing of reduced acreage or conservation use acreage shall be permitted, except during any consecutive 5-month period that is established by the State ASCS committee. The 5-month period shall be established during the period beginning April 1 and ending October 31. The state committee is

required to announce the 5-month period no later than January 1 of each year. In the case of a natural disaster, the Secretary may permit unlimited haying and grazing.

Water storage.—The Secretary shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered devoted to conservation uses for a period of 5 years subsequent to its conversion to water storage.

Land diversion payments.—The Secretary may make land diversion payments, irrespective of the operation of an acreage limitation program, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of a specific feed grain to desirable goals. The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts or through other means as the Secretary determines appropriate. The Secretary is directed to limit the total acreage diverted under this provision in any county so as not to affect adversely the economy of the local community.

Conservation practices.—The Secretary is required to consult with wildlife agencies and to allow producers to establish wildlife food plots or habitat on conservation use and any additional diverted acres. The Secretary may cost share with the producer the cost of establishing such plots. The Secretary may also pay a share of the cost of approved soil and water conservation practices. The Secretary may also provide for a payment on acreage the Secretary determines will benefit the general public if the producer agrees to permit access to all or a portion of the farm for the general public for access for hunting, trapping, fishing and hiking, subject to applicable State and Federal regulations.

Participation agreements.—An operator desiring to participate in the loan, purchase and payments program shall execute an agreement with the Secretary not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of a specific feed grain or other agricultural commodity. The Secretary may modify the agreement for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the feed grain.

The Committee recognizes that there may be conditions when the Secretary needs to modify a feed grain program subsequent to the final announcement of the program. This need may arise from significant increases in export or domestic demand for a feed grain, serious production shortfalls, or a reduction in production. However, the Committee intends that making changes to the program subsequent to the final announcement should not occur without sufficient cause. Producers make planting and input purchase decisions at a time that may not allow them to react to the Secretary's

proposed program change. For this reason, the Committee intends that actions by the Secretary to increase production of any particular commodity should only occur if stock levels or supplies of that commodity have declined substantially, subsequent to the final program announcement.

Inventory reduction payments.—The Secretary may for each of the 1991 through 1995 crops of feed grains make payment to producers in the form of negotiable marketing certificates. Payments shall be determined in the same manner as prescribed for loan deficiency payments. To be eligible for such payments the producer must agree to forgo obtaining a loan and to forgo obtaining any deficiency payment. Further, the producer must agree not to plant in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program.

Pilot Voluntary Production Limitation Program

This provision establishes a pilot program under which participating producers of feed grains shall be considered to have met the requirements of any acreage limitation or land diversion program by adhering to the requirements of the pilot program to limit their marketings of feed grains. There may be substantial potential benefits of such a program to control supply and provide producers with increased flexibility to farm in more economical and environmentally sound ways. The Committee determined that this justified developing a pilot program to evaluate the practicality of implementing and policing the program on a nationwide basis.

To test adequately the efficacy of the program, the Committee intends that the program be offered in at least fifteen counties in each of at least four states. In determining the states in which the pilot program will be offered and in order to estimate the level of nationwide interest in the program, the Secretary shall solicit an expression of interest in the program from all feed grain program participants at program sign-up and take such interest into consideration.

A producer who participates in this program shall be considered to have met the requirements of an acreage limitation or land diversion program if the producer meets the requirements of the voluntary production limitation program established under this program.

In order to comply with the production limitation program a producer must agree not to market, barter, donate or use on the farm (including use as a feed for livestock) in a marketing year a quantity of feed grains in excess of the specific feed grain production limitation quantity for the farm for the marketing year. The production limitation quantity shall equal the product of the acreage permitted to be planted to the specific feed grain under the acreage reduction program or the land diversion program in effect for the crop by the higher of the farm program payment yield or the five year olympic average yield per harvested acre for the specific feed grain for the farm, excluding the crop years in which the feed grain was not planted.

Producers who participate in this program shall enter into an agreement with the Secretary, shall not plant program commod-

ities in excess of the normal crop acreage base for the farm and be considered to have complied with the terms and conditions of the specific feed grain acreage reduction program even though the acreage planted to the specific feed grain on the farm exceeds the permitted acreage.

If the producer produces a specific feed grain in excess of the production limitation quantity for a crop year, the producer may store the excess for a period of not more than 5 years. The excess production may be marketed in subsequent years, but marketing in any one year will still be subject to the production limitation quantity in effect for that year. If a producer grew feed grain in excess of the production limitation quantity and then chose not to participate in the production limitation program in subsequent years, the producer would be allowed to market the excess feed grain in an amount that reflects the quantity of the feed grain that would have been grown on acreage that the producer agreed to devote to approved conservation uses (in excess of any acreage reduction or land diversion requirements) during a crop year.

In carrying out this section the Secretary shall issue regulations to implement the program. The Secretary may require an increased acreage reduction program for producers who have excess feed grain production in order to allow producers to market barter or use the production in subsequent years. Further, the Secretary shall also take appropriate measures to prevent circumvention of the program thus established. Other provisions are included to ensure equitable treatment to participants of the production limitation program under any changes the Secretary may make to determining farm program payment yields.

The Committee intends that the Office of the Comptroller General evaluate and monitor the pilot program to ensure that it is operated to minimize the potential for abuse. The Comptroller General shall conduct such monitoring of the program during the 1991 and 1992 crop years for feed grains and report to Congress prior to the start of the 1993 crop year with an evaluation of the pilot program that shall include a recommendation whether the program should be made universally available to all participants in the feed grain program for the 1993 through the 1995 crop years. It is the intention of the Committee that the Secretary adopt the recommendations of the Comptroller General, though the Committee notes that this recommendation will not be binding upon the Secretary.

Defaults and Waivers

If a producer fails to comply fully with the terms and conditions of this program, the Secretary may make loan and target price payments to producers in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may also authorize state and county committees to waive or modify deadlines and other program requirements in cases where lateness does not adversely affect the operation of the program.

Regulations

The Secretary may issue regulations to carry out this program.

Commodity Credit Corporation

The Secretary may utilize the Commodity Credit Corporation to carry out this program.

Assignment of Payments

Producers shall be allowed to assign payments provided under this section.

Sharing of Payments

The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

Tenants and Sharecroppers

The Secretary is directed to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross Compliance

Compliance on a farm with the terms and conditions of any other commodity program or compliance with crop acreage base requirements for any other commodity may not be required as a condition of eligibility. The Secretary is also precluded from requiring that producers comply with the terms and conditions of the specific feed grain program to any other farm operated by the producer.

Public Comment on Feed Grain Programs

Not less than 60 days prior to the announcement of the feed grain acreage limitation program, the Secretary shall propose various program options and seek public comment. When presenting such options, the Secretary shall accompany each proposed option with an analysis that includes estimates of planted acreage, production, domestic and export use, ending stocks, season average price, program participation rate and government cost.

In order to understand better the justification for selection of program options, the Committee determined that it was important that information considered by the Secretary in reaching a decision regarding the selection of a feed grain program be available for the public as well.

In seeking public comment, the Secretary is required to look for comment regarding the annual price support and acreage limitation program only.

Crops Affected

The provisions of the legislation will be effective for the 1991 through 1995 crops of feed grains.

Other Provisions

Section 402 makes section 107 of the 1949 Act not applicable to the 1991 through 1995 feed grain crops.

Section 403 extends the current recourse loan program for silage through the 1995 crop.

TITLE V—COTTON

BACKGROUND

Cotton, grown in about 75 countries, is the single most important textile fiber in the world and accounts for approximately 67 percent of all textile fibers used. Over the period 1986 to 1988, China, the Soviet Union, and the United States produced 55 percent of the world's cotton, with the U.S. accounting for 16.8 percent of this output. The U.S. uses approximately 50 percent of this production domestically, the other 50 percent being exported to foreign textile mills. Consequently, the health of the U.S. cotton industry is closely linked to the world economy and global textile consumption and trade. U.S. exports of raw cotton during 1980–82 accounted for about 30 percent of world cotton trade. Export earnings averaged about $2 billion, or about 5 percent of the total value of U.S. agriculture exports.

Cotton lint is used chiefly in clothing and home furnishings, with lesser amounts used in industrial products. The seeds are crushed for oil and the remaining meal is fed to livestock as protein meal. The short fuzz on the seed, called linters, has many uses, including padding materials, non-woven fabric, and is a source of cellulose for making rayon, plastics and other products.

Cotton is currently produced in 17 states from California to Virginia, with major concentrations in the Delta areas of Mississippi, Arkansas, and Louisiana; the Texas High Plains and Rolling Plains; central Arizona; and the San Joaquin Valley of California. Upland cotton is the type most commonly grown around the world and accounts for about 95 percent of the U.S. crop. The other 5 percent of U.S. production is extra-long staple (ELS) cotton which is grown mostly in southwest Texas, New Mexico, Arizona and California.

As for much of the agriculture sector, there has been a long-term trend to fewer but larger cotton farms in response to economic and technological forces. In 1949, there were 1,110,000 cotton farms in the U.S. with an average size of 24 acres of cotton per farm. By 1982, the number of farms had dropped to 38,000 and average acreage had increased to 256 acres. Cotton acreage increased 87 percent from 1974 to 1982, while the number of farms dropped by 43 percent. However, preliminary data from the 1987 Census of Agriculture indicates that the number of cotton producing farms in the U.S. has increased to 42,000, up about 10 percent since 1982. The number of acres per farm has declined during this period by approximately 10 percent.

Much of the growth in world and U.S. cotton trade in the 1960's and 1970's was associated with the development of textile industries in the Pacific Rim countries of Japan, Taiwan, Hong Kong and South Korea. These cotton importing countries, with low labor costs, gained a competitive advantage in the manufacture of labor-intensive textile products. Textile production costs have risen rapidly in these countries during the 1980's, and at the same time, China, Brazil, Pakistan and India have emerged as major textile manufacturers. These new textile exporters now compete for global textile markets and also produce raw cotton in substantial quanti-

ties. Since the early 1970's, world trade of raw cotton has grown at only three-fourths the rate of world production, indicating that a growing share of this production is now milled within producing countries.

Even though world cotton production and trade have increased, cotton's share of world fibers used for both textile and non-textile purposes has fallen from 55 to 50 percent during the last two decades. Market share has been lost to manmade fibers, such as polyester and rayon. However, in the U.S., natural fibers have enjoyed increased popularity during the late-1980's and cotton's market share of U.S. fiber production has risen.

Cotton Program Policy in the 1980's

The 1980's were a time of substantial change in Federal farm policy and the U.S. and world cotton sector. Market prices exceeded target prices from 1974, the inception of the target price program, through the 1980 crop. Although U.S. acreage did not grow in 1981, yields hit a record high. In addition, the remainder of the world increased output by almost 3 percent. The net result was that U.S. ending stocks reached 56 percent of use, an unacceptably high level. As a consequence, market prices dropped $0.20 per pound to a level below target prices for the first time.

The Agriculture and Food Act of 1981 (the "1981 Act") was enacted in this context. Overall farm income had been declining since 1979, and cotton target prices were not keeping up with rapidly inflating costs of production, while cotton prices had been strong up to the 1981 crop year. The 1981 Act increased target prices and loan rates for the 1982–1985 crop years, and provided for the creation of crop acreage bases and establishment an Acreage Reduction Program (ARP) for cotton. In general, there was optimism in 1981 that importing countries' income growth and demand for cotton would remain strong, and that the conditions of 1981 were an aberration.

However, exports in 1982 continued to decline. U.S. acreage was reduced substantially in 1982 due to a 20 percent ARP, but yields again reached a record high. Foreign production in 1982 increased slightly from 1981 levels. Given high world stocks, U.S. exports of cotton decreased 1.4 million bales, or approximately 20 percent. U.S. production growth coupled with export market weakness resulted in ending stocks at almost 75 percent of use—the highest since 1966. Low market prices, and increased target price and significant loan activity resulted in substantial Federal cotton program expenditures.

The excessive stocks situation caused the U.S. to attempt unilaterally to control cotton supplies in 1983 through a payment-in-kind diversion program, which, coupled with the 20 percent ARP requirement idled 6.6 million cotton acres. This was a threefold increase over the previous year's acreage retired, and in comparison, more acreage than had been idled in the 1960's and 1970's combined. U.S. output was drastically reduced as a result of the acreage reduction and drought induced yield losses. Production in 1983 was less than two-thirds of the average production for the previous ten years. This returned the U.S. ending stocks-to-use ratio to a more acceptable level of 21 percent. Foreign output increased in

1983, however, and world ending stocks decreased by only approximately 5 percent. Deficiency payments increased with the higher target price and weak market prices brought on by relatively high world ending stocks.

Ending stocks again jumped dramatically in 1984. U.S. acreage increased, but remained below levels of the early 1980's due to a 25 percent ARP. Production was spurred, nevertheless, by yet another record U.S. cotton yield. Domestic output, combined with an increase in foreign production of approximately 25 percent, resulted in a 35 percent increase in world cotton output—22.6 million bales. The Peoples Republic of China alone increased output 35 percent. U.S. domestic mill use and exports showed no increase in strength from previous averages, causing U.S. ending stocks-to-use ratio to increase to 35 percent. The world ratio rose as well to almost 61 percent, and for the first time foreign cotton production exceeded foreign consumption.

World cotton prices fell dramatically as a result of the large world supplies. World production also fell in 1985. The debate on the Food Security Act of 1985 (the "1985 Act") directly affected cotton exports. U.S. exports weakened dramatically as importers waited for the outcome of the debate on proposals to shift to a cotton marketing loan. Importers expected sharply lower cotton prices, and withheld making purchases. As a result U.S. and world ending stocks rose to even higher levels.

As a consequence, the 1985 Act, was established during a period when despite substantial ARP levels, U.S. production was growing faster than domestic mill use and export market demand. Domestic and international demand in the early 1980's was weakened due to competition from synthetic fibers. The strength in exports hoped for in 1981 never appeared. Further, world production had generally exceeded world trade levels since the 1970's, meaning more foreign demand for raw cotton was being filled by production in-country.

The excess U.S. supply and the continually increasing foreign competition were both supported by high U.S. loan rates. This meant that if the U.S. was intent on unilaterally controlling world cotton prices, it would require substantial reductions in U.S. production, or significant Federal outlays. U.S. loan rates created artificial export opportunities for foreign competitors by establishing a price floor. These competitors knew, because of announced U.S. loan rates, what minimum U.S. prices would be. This allowed the competitors to undercut U.S. prices and capture additional markets. This loss in export market opportunities, combined with high direct Federal payments to producers brought the policies of escalating target prices and high loan rates into question.

The provisions that emerged from the 1985 Act reflected a desire to maintain competitiveness in the world markets while protecting farm incomes. Several of the earlier cotton program provisions were retained, while new, market-oriented provisions were established. A marketing loan program was created which allowed price support loans to be repaid at less than the loan rate if world market prices fell below this level. The Secretary was directed to determine an adjusted world price (AWP) to use in conjunction with the loan rate to determine the marketing loan repayment

level. The loan rate was lowered, but the basic formula established in the 1981 Act for calculating the actual loan level was retained.

The Act also reduced target prices through 1990. The ARP and paid land diversion authorities were also retained, and an ending stock goal of 4 million bales was established (the average for the previous 5 years had been approximately 4.75 million bales).

The 1986/87 crop year was the first to be operated under the 1985 Act. Initially it appeared the program would perform as envisioned. Large domestic stocks which were released on the market coupled with large world supplies weakened world prices (for a short time, cotton prices fell to less than $0.30 per pound) and the lack of U.S. support to market prices made U.S. cotton more competitive in both the international and domestic markets. U.S. exports of cotton jumped dramatically (although this was in part due to pent-up demand that resulted from foreign buyers holding off on purchases until the provisions of the program established by the 1985 Act were finalized), and domestic mill use increased. U.S. stocks fell sharply, close to the 4 million bale goal, and by the end of the crop year the AWP had increased above the loan rate. The AWP remained above the loan rate for 15 months.

As expected, the higher market prices encouraged expansion in both domestic and foreign cotton acreage in the following years. Record U.S. yields combined with foreign output increased world production substantially. Export market share would not have been lost if U.S. market prices had adjusted to these new supplies. Unfortunately, world market prices declined more sharply than U.S. market prices, and once again U.S. cotton was not competitive on the world markets. Foreign demand for U.S. cotton fell. This situation prevailed through the 1988 planting period. While U.S. stocks in 1987 had begun to move toward acceptable levels, they again increased by the end of 1988 to approximately 7 million bales, a stocks to use ratio of over 50 percent.

The objective of the marketing loan, to have cotton pledged as collateral for CCC loans released to the market at a competitive price, was not being achieved. The apparent failure of U.S. cotton prices to be competitive with world prices and the inability of the marketing loan to help move product on international markets set in motion a series of industry proposals and USDA adjustments in the upland cotton marketing loan program.

At the start of the 1988/89 season, USDA made four major changes in the program. First, the transportation component of the AWP formula was changed to reflect more closely actual transportation costs. This change increased the transportation differential that is subtracted from the world price in order to adjust the world price to average U.S. location, reducing the AWP. Second, loan repayments were permitted at the same premium and discount schedule in effect when the cotton was placed under loan. At the time this change was made, the current year premiums and discounts were being used for certificate redemptions. These differences were narrower than those in effect when the loan was taken out. Using larger premiums and discounts effectively lowered the AWP for cotton types below the base grade. Third, the coarse count adjustment in the AWP formula was modified to make coarse count cotton more competitive. Fourth, CCC agreed to pay suffi-

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cient interest and warehouse charges on outstanding loans to encourage repayment of loans at the AWP.

In October 1989, the Department again made changes in the marketing loan program to improve the competitiveness of U.S. cotton. In order to reduce the incentives for storing cotton for 18 months, producers are now required to pay storage and interest charges for the loan extension period on cash loan repayments. Producers must also pay storage charges for the loan extension period and a $1.00 per bale handling charge on cotton that is forfeited to the CCC.

In addition, the AWP formula was changed. Now, when the AWP is within 15 percent of the loan rate and U.S. cotton prices in Northern Europe exceed the five lowest priced competitors' cotton, the AWP may be reduced by up to the amount that the U.S. price exceeds foreign prices.

These changes are generally credited with returning U.S. market prices to competitive world market levels. As a result, domestic and foreign demand have increased substantially. In crop year 1989/90, U.S. prices have fallen sharply, exports of cotton are expected to rise over 1988 levels by more than 20 percent, and the U.S. share of world cotton trade is expected to increase from 24 percent last year to 31 percent. Domestic mill use, spurred by consumer demand for clothing with greater cotton fiber content is estimated to reach 8.1 million bales, the highest since 1971. The net result is that U.S. ending stocks are projected to fall by more than 50 percent this year, to 3.3 million bales.

The Outlook for the Cotton Sector in the 1990's

Trend growth in importing countries' populations and incomes, and increases in foreign manufacturing capacity should help keep demand in the export market at or slightly above current levels. At the same time, lower domestic and world market prices should keep downward pressure on foreign acreage, helping the U.S. to maintain its current share of the world export market. Overall cotton fiber use and share of the fiber market will remain under pressure from synthetics. But there is no reason to believe the recent U.S. consumer demand for higher cotton content in their clothing will end soon. This should also help to maintain domestic demand for mill use. Policies that keep U.S. cotton competitive on world markets, will help continue the recent strength in cotton demand through the 1990's.

PURPOSE AND NEED

The basic objective of the bill is to continue the key elements of the current cotton program, most importantly the target price and deficiency payment system and the basic market-oriented loan formulation, with some amendments designed to serve the needs of the U.S. cotton sector, from the producer to the consumer.

Loans, Payments, and Acreage Reduction Programs for the 1991 through the 1995 Crops of Upland Cotton

The basic nonrecourse price support provisions of the Agricultural Act of 1949 are continued for the 1991 through the 1995 crops of

upland cotton. The November 1 announcement date for the loan level is retained, with the loan level not to be changed after the announcement. Current provisions also are continued regarding the extension of nonrecourse loans in the 10th month of the loan period.

The bill revises and consolidates some of the provisions of the 1985 Act with respect to the implementation of the marketing loan for cotton. In particular, the 1985 Act required the Secretary to determine each year whether to implement Plan A (which basically had a floor on the loan repayment level of 80 percent of the loan level) or Plan B (which was essentially a straight marketing loan with the loan repayable at the world market price)

The bill consolidates Plan A and Plan B into a simpler structure. The Secretary would no longer have to choose between these plans in implementing the marketing loan program for cotton. The bill provides that a producer shall be allowed to repay a cotton loan at the world market price if that price is below the loan level. However, the bill also allows the Secretary to establish an alternative repayment rate for loans at such level, but not in excess of the loan level, as is determined necessary to maintain competitiveness and prevent forfeitures of cotton to the Commodity Credit Corporation.

Base Quality

The Committee recognizes that the classification system for measuring quality factors of cotton is dynamic, and that the standard established in 1978, which remains in use today, does not necessarily continue to reflect quality measurement technologies and the quality needs of the cotton industry. The base quality since 1978 has been "Strict Low Middling one and one-sixteenth inch" upland cotton (micronaire 3.5 through 4.9) at average location in the United States. In recent years an increasing share of the crop has been classified under the High Volume Instrument (HVI) classing system. Also, beginning with the 1991 crop, the measurement of fiber strength is planned to be added as a quality factor in the price support loan schedules of premiums and discounts. At this time, the schedule for micronaire discounts will be changed to include a premium for micronaire readings of 3.7 to 4.2 for the higher qualities of upland cotton. Equipment is also under development for measuring additional quality factors.

It is the intent of the Committee that the loan rate for base quality upland cotton beginning with the 1991 crop be Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 3.6 and 4.3 through 4.9, strength 24 through 25 grams per Tex). The Committee also intends that whenever, with industry consultation, it is determined that additional quality factors should be added by the Commodity Credit Corporation to the price support loan schedules of premiums and discounts, or that current quality factors should be modified, a base for the new or modified factors shall be established and included in the base loan rate in such a manner that the base loan rate will not change.

Adjustment of Prevailing World Market Price

Like current law, the bill provides that the Secretary must prescribe the prevailing world market price for upland cotton. This

prevailing world market price is the rate at which marketing loans are repaid under one of the two loan repayment options available to the Secretary. The Secretary is directed to adjust further this price so as to reflect the relationship of world cotton to U.S. cotton of base quality and location. There were extended periods of time under the 1985 Act when U.S. cotton was clearly not competitive on the world markets.

The Committee determined that it is essential that the AWP accurately reflect the true world selling price of cotton to ensure the effective operation of the cotton program. Although the AWP is currently being administered in the manner intended by Congress to ensure competitiveness, the Committee has included in this bill provisions to make certain the AWP will achieve this goal.

The bill requires the Secretary to adjust further the prevailing world market price for upland cotton if U.S. cotton is not competitive on the world market. However, if that adjustment fails to make cotton competitive for a consecutive four-week period, the Secretary must issue negotiable marketing certificates to domestic users or exporters for documented sales made in the week following such consecutive four-week period in order to make U.S. cotton competitive.

Finally, if the above adjustments and certificates fail to make cotton competitive for a consecutive ten week period, the President shall establish an import quota program that would relax the import restrictions in place on cotton for a limited period of time. The quota shall be equal to one week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the most recent three months for which data are available. The quota shall apply to upland cotton purchased not later than 90 days after the date of the establishment of the quota and entered not later than 180 days after the date of the establishment of the quota.

The Committee recognizes that the Secretary is utilizing certain price quotations published by a private firm in the calculation of the adjusted world price for upland cotton. The Committee recognizes that the data is collected and published in good faith and that the publishers do not guarantee accuracy nor have the publishers solicited or encouraged the Secretary to utilize the data.

Loan Deficiency Payment

The bill carries forward the provision in current law that requires the Secretary to make payments to producers who forgo obtaining a price support loan on cotton and instead accept a payment computed based on the difference between the loan level for a crop and the loan repayment level for that crop. This "loan deficiency payment" will be made available to the producer with respect to any quantity of the producer's upland cotton that is eligible to be placed under loan and that the producer determines to receive this payment instead of using the price support program. The bill slightly modifies this provision from current law in order to ensure flexibility to the producer in the implementation of this provision.

Devoting Acreage to Conservation Uses or "50/92" for Upland Cotton

The legislation continues the program to allow producers to receive deficiency payments for planting less than their entire permitted acreage to upland cotton—the so called "50/92" program—essentially intact from the 1985 Act. The Committee recognizes there are situations where a producer participating in the 50/92 program may be prevented from cultivating 50 percent of their upland cotton base acres as a result of a natural disaster or some other condition beyond the control of producer. The Committee also recognizes there are circumstances where a State or local agency has imposed a quarantine on a particular area that would prevent the planting and harvesting of cotton on farms that are also participating in the 50/92 program. Under both of these circumstances, the legislation provides that the producer would not have to comply with the 50 percent planting requirement.

Conserving Crops

The Secretary may permit all or any part of acreage otherwise devoted to conservation uses as a condition of being eligible for the 50/92 program to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. The Committee intends that the Secretary have the discretion to choose to allow or disallow individual crops from inclusion on this list. The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

In a change from the 1985 Act, the legislation requires the Secretary to permit the planting of sunflowers, rapeseed, canola, safflower, flax and other minor oilseeds designated by the Secretary (excluding soybeans) on conservation use acreage. A producer must choose between receiving cotton deficiency payments with respect to the acres planted to the oilseed or retaining loan protection for the particular oilseed that is planted on these acres. The Committee notes that for the 1990/91 crop year the Secretary permitted the planting of certain crops on conservation use acreage but that the Secretary reduced the number of acres on which a producer was eligible to receive deficiency payments. Under the bill a producer could elect to continue to receive deficiency payments on all eligible acreage. However, should a producer plant the designated oilseed on conservation use acreage and elect to receive cotton deficiency payments on acreage planted to the permitted oilseeds, the producer must agree to forgo eligibility for any loan protection for any such oilseed produced on the farm.

Disaster Payments

The legislation continues the authority for the Secretary to make disaster payments for both prevented planting and reduced yield

situations. The Secretary is required to provide for payments to producers who suffered prevented plantings or reduced yields, but producers are not eligible for either payment if Federal Crop Insurance was available to the producer.

If a producer is prevented from planting, and crop insurance is not available, the Secretary shall provide a prevented planting payment to the producer based on the number of affected acres, 75 percent of the farm program yield and 33.3 percent of the established price for cotton.

If a producer suffers reduced yields because of drought, flood or other natural disaster, and crop insurance is not available, the Secretary shall provide a payment to such producer. The payment shall be a rate equal to 33.3 percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

While the Secretary is precluded from making disaster payments to a producer if crop insurance was available, under certain extreme circumstances, the Secretary may make payments to producers who suffer from a disaster and also were offered crop insurance. The Secretary may make these payments if the Secretary determines that the losses have created an economic emergency for the producer, and that insurance payments will not be sufficient to offset the economic emergency. The Secretary is also authorized to adjust such payments so as to ensure the equitable allotment of payments among producers.

Payment Yields

The Secretary may base the farm program payment yields for the 1991 through 1995 crops of cotton at either the 1990 farm program payment yield or the average of actual yields.

Acreage Reduction Programs

If the Secretary determines that the total supply of cotton, in the absence of an acreage limitation program, will be excessive, the Secretary may provide for an acreage limitation program for cotton. In determining the need for an acreage limitation program the Secretary shall take into consideration the number of acres placed in the Conservation Stewardship Program.

Announcement of Program

The Secretary must announce any acreage limitation program by November 1 of the calendar year preceding the year in which the crop is harvested. In the case of the 1991 crop, the Secretary shall announce the program as soon after the date of enactment of this bill as is possible. The bill revises current law to allow the Secretary, not later than January 1 of the year in which the crop is harvested, to make adjustments in the program announced if the Secretary deems it is necessary. Producers who may be disadvantaged by such change may elect to participate in the program on the terms and conditions first announced in November.

Ineligibility for loans, purchases and payments

Producers must comply with the terms and conditions of the acreage limitation program announced by the Secretary in order to be eligible for program benefits.

Carryover Stocks

The 1985 Act provided that acreage limitation programs would be established, based on specific stock levels. The bill continues a requirement for an acreage limitation program based on stock levels. The Committee has determined however, that as demand for cotton and cotton products change, a fixed level of stocks may not be appropriate. The bill provides that the Secretary implement the acreage limitation program in a manner that will result in cotton ending stocks of 4 million bales, or a ratio of ending stocks to total disappearance of 33 percent, whichever results in a higher level of ending stocks. Total disappearance means all upland cotton utilization, including total domestic, total export, and total residual disappearance. The use of a stocks-to-use ratio should make the program respond more quickly to changes in demand and production.

Reduced Acreage

Any producer participating in an acreage limitation program must devote a number of acres that are removed from production to specified conserving uses. This bill would simplify the current method used to determine the amount of land a producer must remove from production to be eligible for program benefits. For example, if a 10 percent ARP program is established, a producer would have to devote acreage equal to 10 percent of the producer's cotton acreage base to conserving uses. The number of acres resulting from the new calculation is referred to as "reduced acreage", while the remaining acreage that can be planted to cotton is referred to as "permitted acreage".

Planting oilseeds or other crops on reduced acreage

Producers may plant an oilseed or other crop considered appropriate by the Secretary on no more than one-half of the reduced acreage on the farm. If a producer elects to make use of this provision, the Secretary shall reduce the amount of acreage the producer is eligible to receive deficiency payments on by an amount determined appropriate by the Secretary. It is possible that the Secretary may determine that an amount greater or less than a one acre reduction in permitted acreage is appropriate. If more than one crop is produced on the farm, the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted to all program crops.

The Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that there is no additional cost to the Commodity Credit Corporation. In ensuring that this provision is met, the Committee intends that this provision should be implemented on a national basis.

Planting conserving, experimental or industrial non-program crops on reduced acreage

Similar to the provision for oilseeds, this section provides that producers may plant conserving, experimental or industrial non-program crops on reduced acreage. The Secretary shall specify which such crops from may be planted on reduced acreage. In contrast to oilseeds, the producer may elect to plant an approved crop

on the entire reduced acreage. The producer must reduce the amount of deficiency payments that would be made by an amount equivalent to one acre of the program crop for each newly planted acre. Proration is required if the producer plants more than one program crop.

Targeted Option Payments

In an effort to provide the producer with additional planting flexibility, the legislation provides for a Targeted Option Payment program (TOP). In general, under TOP, a producer may increase the acreage reduction requirement for the farm in exchange for an increase in the established price. The Secretary is directed to increase the established price by 0.5 to 1 percent for each percentage increase from the announced acreage limitation program. Likewise, the producer may decrease the acreage reduction requirement for the farm in exchange for a decrease in the established price.

Under the TOP program, a producer would not be allowed to increase the acreage reduction requirement by more than 10 percent (or above 25 percent total).

The producer may reduce the acreage limitation program by no more than one-half of the announced acreage reduction program.

The Secretary shall ensure that the TOP does not have a significant effect on program participation or on total production.

Administration

Regulations issued by the Secretary regarding reduced or conservation acreage shall ensure the protection of acreage from weeds, wind and water erosion.

Annual or perennial cover

A producer who participates in an acreage reduction program for cotton shall be required to plant an annual or perennial cover on 50 percent (or more, at the producers option) of the acreage that is required to be removed from production. Not more than 5 percent of the crop acreage base shall be established in perennial cover.

If a producer elects to establish a perennial cover on the acreage, the CCC shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on no more than 5 percent of the crop acreage base for cotton. If a producer elects to utilize this program, and receives cost share, the producer shall agree to maintain the perennial cover for a minimum of three years.

Conserving Crops

The Secretary may permit certain specified crops to be planted on all or any part of the reduced acreage. The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

Water storage

The bill provides that crop land that has been converted to water storage uses shall be considered to be devoted to conservation uses. The land shall be considered devoted to conservation uses for a period of 5 years subsequent to its conversion to water storage.

Land Diversion Payments

The bill provides that the Secretary may make land diversion payments to producers if the Secretary determines that they are necessary to reduce the acreage planted to cotton for the purpose of limiting production. The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts or through other means as the Secretary determines appropriate. The Secretary is directed to limit the total acreage diverted under this provision in any county so as not to affect adversely the economy of the local community.

Conservation Practices

The Secretary is required to consult with wildlife agencies and to allow producers to establish wildlife food plots or habitat on conservation used and any additional diverted acres. The Secretary may cost share with the producer the cost of establishing such plots. The Secretary may also pay a share of the cost of approved soil and water conservation practices. The Secretary may also provide for a payment on acreage the Secretary determines will benefit the general public if the producer agrees to permit access to all or a portion of the farm for the general public for access for hunting, trapping, fishing and hiking, subject to applicable State and Federal regulations.

Participation Agreements

An operator desiring to participate in the loan, purchase and payments program shall execute an agreement with the Secretary not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of cotton or other agricultural commodity. The Secretary may modify the agreement for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for cotton.

Inventory Reduction Payments

The Secretary may for each of the 1991 through 1995 crops of upland cotton make payment to producers in the form of negotiable marketing certificates. Payments shall be determined in the same manner as prescribed for loan deficiency payments. To be eligible for such payments the producer must agree to forgo obtaining a loan and to forgo obtaining any deficiency payment. Further, the producer must agree not to plant in excess of the crop acreage base

reduced by one-half of any acreage required to be diverted from production under an acreage limitation program.

Failure to Comply Fully

If a producer fails to comply fully with the terms and conditions of this program, the Secretary may make loan and target price payments to producers in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may also authorize State and county committees to waive or modify deadlines and other program requirements in cases where lateness does not adversely affect the operation of the program.

Other Provisions

The Secretary's authority to carry out this program through the Commodity Credit Corporation is continued. The limited authority for producers to assign payments also is continued, and the Secretary shall continue to provide for the sharing of payments made under this section. The Secretary is directed to provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross Compliance

In a change from current law, compliance on a farm with the terms and conditions of any other commodity program or compliance with crop acreage base requirements for any other commodity may not be required as a condition of eligibility for the cotton program. The Secretary is also precluded from requiring that producers comply with the terms and conditions of the cotton program on any other farm operated by the producer.

Skiprow Practices

The bill would require the Secretary to change the application of skiprow practices with respect to producers participating in the cotton program. Currently, the Department of Agriculture authorizes certain skiprow planting practices. The Department certifies actual acreage planted to cotton when approved skiprow patterns are used by the producer and if the pattern includes "skips" (rows which are not planted) of at least four rows. Therefore, the producer is able to credit the "skipped" acreage as diverted acreage for the purpose of meeting the requirements of the acreage reduction requirement.

Current law refers to a 1971 regulation that provided for not less than 32 inch skiprows. However, more and more producers are changing to smaller, 30 inch skiprow planting practices. The bill would change current law to have the Secretary certify skiprow practices other than the traditional 38–40 inch-wide skip. This gives the Department greater flexibility and would allow producers who have invested in new 30 inch equipment to be treated the same as producers who use other skiprow practices.

Other Provisions

The Committee suspends the application of sections in the Agricultural Adjustment Act of 1938 with regard to base acreage allotments, marketing quotas, and related provisions for any of the 1991

through 1995 crops of upland cotton. The Committee also extends the 1990 extra long staple cotton program provisions through 1995. The provisions on cross-compliance and offsetting compliance are made consistent with similar provisions in the upland cotton program. The Committee also continues certain provisions that direct the Secretary to take such actions as are necessary to offset the actual or anticipated negative effects of the oilseed program on producers or processors of cottonseed or cottonseed oil.

Crops Affected

The provisions of the legislation will be effective for the 1991 through 1995 crops of cotton.

Title VI—Rice

BACKGROUND

The Food Security Act of 1985 will expire at a critical time for the U.S. rice industry. The industry faces under-utilized production and processing capacity, unstable foreign demand, stiffer foreign competition from new market entrants, new production developments and continued pressure on the Federal budget.

These issues will become more urgent as new technology is brought on line throughout the U.S. rice industry. Already one new variety of rice—Lemont—has produced yields 25 to 35 percent higher than the record achieved in 1981. Arkansas alone could have produced nearly 90 percent of the 1983 U.S. rice crop if it had planted this variety.

Rice producers tend to be younger and tend to adopt new technology more quickly than other grain producers. Participation in government programs by rice producers also tends to be higher than other crops. In 1983, 98 percent of the 4.1 million acre crop base was enrolled in the rice program.

U.S. rice production is only 1 to 1.5 percent of world rice production. While the U.S. share of world exports is greater at 17.5 to 22.5 percent than the production share, the U.S. position in rice markets is not comparable to the U.S. position in other grains, such as corn. The U.S. is a small, but important, participant in world rice trade. Thus, it is much more meaningful for the U.S. to expand export market share than to work for increases in total world demand for rice. A 10 percent increase in world trade for rice provides the U.S. with a 5 to 6 million hundredweight increase in exports. If the U.S. increases market share from 17.5 to 27.5 percent, U.S. exports rise by almost 30 million hundredweight. Price competitiveness is a critical factor in determining marketshare.

Setting For Development Of The Food Security Act Of 1985

Demand for U.S. rice is divided between domestic and export markets. In the 1970's the domestic market averaged roughly 40 percent of total demand for U.S. rice. Since that time, domestic use has increased and now averages 45 to 50 percent of total demand. Domestic demand for rice tends to be very stable, with demand based more on income and demographics than prices.

Export markets for rice, however, are more volatile. With the majority of world rice production and demand concentrated in

areas that depends on the monsoon to produce sufficient moisture, any weather fluctuation can have dramatic effects on world trade.

Export use of rice peaked in 1980 at 91.4 million hundredweight. As a result of that strong demand, market prices reached the second highest level on record, averaging $12.80 per hundredweight for the marketing year. United States stocks of rice fell to only 16.5 million hundredweight.

With the high price, and expectation of strong export markets, producers increased plantings to a record 3.8 million acres in 1981. The expanded area, coupled with, at the time record yields, led to record production of 183 million hundredweight, a level that has yet to be repeated. While production increased, export use for rice fell by roughly 10 million hundredweight. The combination of reduced export demand and sharply higher production led to increased carry over. Ending stocks for the 1981 marketing year totaled 49 million hundredweight, nearly three times the 1980 level.

In 1982, the Secretary determined that an Acreage Reduction Program (ARP) was necessary to bring stocks of rice under control, and implemented a 15 percent ARP. Production in 1982 was off nearly 30 million hundredweight from year earlier levels. However, the decline in production was not enough to offset the increase in beginning stocks, which led to total supplies higher than the previous year. A rare decline in domestic demand coupled with a significant decline in export use combined to drop demand by nearly 29 million hundredweight in 1982. This placed considerable pressure on rice prices. The loan rate for rice in 1982 was set at $8.14 per hundredweight. With the surplus in rice supplies, market prices averaged $7.91 per hundredweight. CCC-owned stocks of rice increased to 22.3 million hundredweight out of total stocks of 71.5 million hundredweight.

Conditions in 1983 improved, but only through fairly drastic efforts to control production and manage supplies. A 15 percent acreage reduction program (ARP) and a 5 percent paid diversion program were offered along with a Payment-In-Kind (PIK) diversion program that provided producers with the equivalent of 80 percent of their program yield on 10 to 30 percent of their rice base acreage for idling a similar amount of land. The 1983 program was effective in reducing plantings, dropping acreage to 2.1 million acres, nearly 50 percent below 1980 levels. The 1983 program did reduce production. Domestic demand for rice continued to decline, while export markets moved up only marginally. Ending stocks dropped to 46.9 million hundredweight In spite of the strong production control program, CCC owned stocks increased nearly 3 million hundredweight from year earlier levels.

In 1984, the Secretary dropped all paid land diversion programs. In their place, the Secretary offered a 25 percent ARP. With prices averaging close to the loan rate for the 1983 crop, participation in the program remained high, but without the paid land diversion programs, rice plantings increased to 2.8 million acres. Ending stocks once again began to increase reaching 64.7 million hundredweight. Exports of rice fell to the lowest level since 1975. Thailand continued to set new production records, and Chinese production reached a level that has not been exceeded since. Domestic use increased, but only marginally. Prices continued under pressure,

with the season average price of $8.04 per hundredweight, held only through heavy use of the CCC loan program. CCC owned stocks of rice increased again in 1984 by 19.3 million hundredweight.

The 1985 marketing year showed little improvement. The Secretary reduced the ARP requirement for the 1985 crop to 20 percent, but added a 15 percent paid diversion. The participation rate approached 90 percent. Plantings declined, but this was all but offset by increased yields. With large carry over from 1984, total supplies of rice reached the second highest level on record. Simultaneously, the export market continued to fall. Only a surge in domestic food use of rice held total disappearance at 1984 levels. The combination of higher total supplies, and stagnant overall demand, however, led to even larger ending stocks, totaling 77.3 million hundredweight—15 million hundredweight more than total domestic use for rice. The loan program, although heavily used, was not effective at holding market prices. The season average price for the 1985 crop year was only $6.53 per hundredweight, almost $1.50 per hundredweight below the $8.00 per hundredweight loan rate.

It was in this context that the 1985 Act was developed. Rapidly building stocks, depressed market prices, and export markets that were rapidly falling because of U.S. non-competitive loan rate policy and growth in the productive capability of major exporters. Clearly some action was required to restore the health of the U.S. rice industry.

Effect Of The Food Security Act Of 1985 And The Setting For The Current Legislation

The 1985 Act established a marketing loan program for rice. The program was designed to provide producers with income protection, while minimizing CCC holding of rice stocks. In establishing the program, the Secretary determined an Adjusted World Price (AWP) to be used for repayment of nonrecourse loans at a level that would keep U.S. rice competitive in world markets. The loan rate was reduced as well, and subsequently was to fall by no more than 5 percent annually, but was provided with a $6.50 per hundredweight floor.

The program was effective both at reducing government rice stocks, and in regaining export markets. With the 1986 crop, the Secretary implemented a 35 percent ARP. Due to the expectation of sharply lower prices, participation remained high, even without a paid diversion, and production was essentially identical to 1985 levels.

Demand for the 1986 crop was dramatically different than 1985. Domestic use increased by nearly 8 million hundredweight. Export demand rose by 25.5 million hundredweight despite stagnant overall trade as U.S. market share increased from 14.7 percent in 1985 to 21.4 percent in 1986. The combination of static production, and the 37.4 million hundredweight increase in demand dropped rice stocks to 51.4 million hundredweight.

The 1987 crop year saw rather sharp declines in U.S. rice stocks. With another 35 percent ARP, and a marginal decline in yields, production was again held down near 130 million hundredweight more than offsetting a decline in total use due to reduced export

markets. Market prices rose and ending rice stocks were reduced to 31.4 million hundredweight the lowest level since 1980. Also of significance, the CCC had disposed of all of its rice stocks by the end of the 1987 crop year.

In 1988, the Secretary reduced the ARP requirement, to 25 percent. Production increased, but growth in export and domestic markets was sufficient to reduce stocks even further to 26.7 million hundredweight.

The Committee reported this legislation as the 1989 marketing year drew to a close. During this year, the Secretary implemented a 25 percent ARP, and total disappearance of rice—while showing some modest declines from 1988 levels—remains strong. Ending stocks are expected to continue to decline slightly. The outlook for the 1990 crop year is also one of an industry in balance.

Outlook For The 1990's

As the rice industry moves into the 1990's the focus on export markets, while important, should not overshadow the growing importance of the domestic market. Domestic use of rice has grown considerably over the past ten years. In 1978, per capita domestic consumption of rice was 5.9 pounds. In 1988, the latest data available, consumption was up to 14.3 pounds per capita. Brewery demand, processing and direct food use have all shown marked increases over the past ten years.

Assuming a stable economy, and demographics over the next five years, domestic demand for rice should remain at or above 80 million hundredweight.

International Situation and Outlook

Projected global milled rice production in 1989/90 is 341 million metric tons (MMT), a slight increase from 1988/89. World exports of 13 MMT are slightly below 1988/89 levels of 15 MMT. In 1989/90, increases in China's production are largely offset by declines for Brazil and the Philippines. Vietnam is increasing its exports to 1.5 MMT.

Exports—U.S. Policy and Increasing Foreign Competition

The major exporters of rice are Thailand, the U.S., Vietnam, Pakistan and the European Community. In 1989, these five countries accounted for 80 percent of the world exports of rice.

Thailand is by far the largest exporter of rice, capturing 40 percent of the world exports in 1988 with 4.8 million MMT, milled basis, in calendar year 1988. Thailand and the U.S. are traditional allies and are the world's leading rice exporters. The Committee believes it is essential that USDA maintain a close working relationship with Thailand to promote the orderly expansion of world markets, especially in those areas where markets have been protected from imports.

The U.S. is the second largest exporter of rice in the world, with 1990/91 exports projected at 76.0 million hundredweight (3.5 MMT) for the 1990/91 marketing year (beginning August 1). Long grain rice accounts for four-fifths of projected exports, with medium and short grain accounting for the remainder. U.S. exports are approximately equal to the 1989/90 estimate of 77.0 million hundred-

weight, but 15 percent below the 1988/89 exports of 85.6 million hundredweight.

After the U.S. Pakistan and the European Community (EC) each export approximately 950 thousand metric tons.

The EC exports have been steady at that level, and are projected to grow slightly to a projected level in 1990 of 975 thousand metric tons. A large crop in Italy was the result of farmers shifting from corn into rice, along with favorable weather conditions. This increased production offset a decline in Spain's production, in where adverse weather sharply reduced production.

Pakistan's exports have fluctuated from a five-year high of 1,226 thousand metric tons in 1987 to a low of 779 thousand metric tons in 1989, a result of adverse weather and pest infestations. As acreage continues to expand, Pakistani exports are expected to pick up in 1990. The final level will depend in part on the Pakistani Government's response to increased competition from Vietnam, especially in lower quality rice sales.

A major new player in the world rice market is Vietnam. Exports are expected to increase twelve-fold to 1.5 MMT in 1989 from the average exports from 1986–88. This level would catapult Vietnam into the third place among exporters of rice. This increase has been the result of larger plantings and record yields, resulting from more liberalized and decentralized production decisions. In addition, Vietnam has implemented an aggressive sales and pricing policy, along with improved milling capacity and good delivery performance. Vietnam has especially increased sales in the low quality markets, with Thailand maintaining its traditional share of high quality exports.

Major Importers

Major global importers of rice are the EC, Iran, Iraq, Saudi Arabia, U.S.S.R. and China. The top five markets for U.S. exports of rice are Iraq, the EC, Peru, Mexico and Saudi Arabia.

China is a major net importer, but also exports a significant quantity of rice. China harvested a record 123 million ton rice crop for 1989/90. Imports are forecast to drop 65 percent in 1990 from 1.4 million tons, milled basis, in 1989. With the favorable 1989 harvest, stocks are beginning to be rebuild.

United States exports to the EC surged to 479,000 tons in 1989; however, this increase was essentially transhipments through Spain for Iran. Exports to the EC are lower this year than 1988. Vietnam has entered the EC market for high quality rice, particularly French markets. Vietnam has the potential to be a strong future competitor in this market.

The competitiveness of U.S. prices and credit offerings will continue to be the primary factor in the pace of U.S. exports for 1990 and beyond. The U.S. faces a strong competitor in Thailand, particularly for high quality markets. With expanded production in China, India and Indonesia, world trade for rice could remain static, or even fall over the next five years. With the entry of Vietnam to the market, the U.S. will face very stiff competition in the rice industry. To hold or expand market share will require aggressive pricing and service of clients in the years to come.

PURPOSE AND NEED

The bill extends the basic framework of the rice program contained in the Food Security Act of 1985, with modifications designed to better serve the U.S. rice industry in the 1990's. The legislation amends the Agricultural Adjustment Act of 1949, and lays out the rice program for the 1991–95 crop years.

Loans, payments, and acreage reduction programs for the 1991 through 1995 crops of rice

The price and income support provisions of the rice program are modified to permit greater competitiveness in world markets, and to provide greater producer flexibility in the crops that can be grown on their farms in response to changing signals from the marketplace.

The legislation continues the current requirement that the Secretary make available to producers loans and purchases for the 1991/92 through 1995/96 crop of rice. The Secretary is directed to make loans at not less than the higher of the basic loan rate calculated from the same formula used in current law, or $6.50 per hundredweight.

The provisions relating to the announcement of loan and purchase levels, the duration of the loans, the repayment provisions and the establishment of the prevailing world market price are retained. Current law establishing loan deficiency payments and deficiency payments is updated to apply to crops produced in 1991–95.

Current law establishing the negotiable marketing certificate program is altered technically to consolidate existing language. The basic provisions regarding when certificates are to be issued and how the program is to be implemented are unchanged.

Loan Deficiency Payment

The bill carries forward the provision in current law that requires the Secretary to make payments to producers who forgo obtaining a price support loan on rice and instead accept a payment computed based on the difference between the loan level for a crop and the loan repayment level for that crop. This "loan deficiency payment" will be made available to the producer with respect to any quantity of the producer's rice that is eligible to be placed under loan that the producer determines to receive this payment instead of using the price support program. The bill slightly modifies this provision from current law in order to ensure flexibility to the producer in the implementation of this provision.

The 50/92 Program

The current 50/92 program for rice is continued with modifications to allow for the situation where producers cannot cultivate the required 50 percent of their crop acreage base for rice. The Committee recognizes there are situations where a producer participating in the 50/92 program may be prevented from cultivating 50 percent of their rice base acres as a result of a natural disaster or some other condition beyond the control of producer. The Committee determined that this situation is analogous to the situation provided for in existing law, where a State or local agency has im-

posed a quarantine on a particular area that would prevent the planting and harvesting of rice on farms participating in the 50/92 program. Under both of these circumstances, the Committee has established that such a producer may not have to comply with the 50 percent planting requirement.

The Secretary may permit all or any part of acreage otherwise devoted to conservation uses as a condition of being eligible for the 50/92 program to be planted to sweet sorghum, guar, sesame, castor beans, safflower, sunflower, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists, or commodities grown for experimental purposes. The Committee wishes to make clear that the Secretary has the discretion to choose to allow or disallow individual crops from inclusion on this list. The Secretary may permit acreage to be planted to these crops only if the Secretary determines that the production is not likely to increase the cost of the price support program and will not affect farm income adversely and if the production is needed to maintain an adequate supply of the commodity.

In a change from the 1985 Act, the legislation requires the Secretary to permit the planting of sunflowers, rapeseed, canola, safflower, flax and other minor oilseeds designated by the Secretary (excluding soybeans) on conservation use acreage. The Committee intends that a producer may choose between receiving rice deficiency payments or retaining loan protection for the permitted oilseed. The Committee notes that for the 1990/91 crop year the Secretary permitted the planting of certain crops on conservation use acreage but that the Secretary reduced the number of acres on which a producer was eligible to receive deficiency payments. Under this bill a producer could elect to continue to receive deficiency payments on all eligible acreage. However, should a producer plant the designated oilseed on conservation use acreage and elect to receive rice deficiency payments on acreage planted to the permitted oilseeds, the producer must agree to forgo eligibility for any loan protection for any such oilseed produced on the farm.

Yields and Disaster Payments

The prevented planting and reduced yields disaster payment provisions from current law are retained. As for the other program commodities, the program payment yields are established in title V of the 1949 Act, as amended by this bill.

Acreage Reduction Program

The existing acreage reduction program is continued, with the only change being the Secretary is directed to take into consideration, when making a determination concerning the supply of rice, the amount of rice acreage entered into the Conservation Stewardship Program (CSP) established under this bill. The CSP combines the existing conservation reserve with two new programs, the Wetlands Reserve Program and the Water Quality Incentives Program, to create the principal land and water retirement and treatment provisions in the conservation title.

New direction is given in this bill to the Secretary, with respect to the rice stock goal for the acreage limitation program. In gener-

al, this program is to be administered so that carryover stocks of rice will equal 16.5 to 20 percent of the simple average of the total disappearance of rice for each of the 3 marketing years preceding the year for which the program is announced. The other acreage limitation program provisions are continued from current law, whereby if a program is announced, a uniform percentage reduction of 0 to 35 percent will be applied to a producer's rice crop acreage base.

Acreage Devoted to Conserving Uses

The current conservation use requirements of the existing acreage limitation program are continued. One major change to these provisions is the permitting of the production of specific crops on the reduced acreage.

Producers may plant an oilseed or other crop considered appropriate by the Secretary on no more than one-half of the reduced acreage on the farm. If a producer elects to make use of this provision, the Secretary shall reduce the amount of acreage the producer is eligible to receive deficiency payments on by an amount determined appropriate by the Secretary. It is possible that the Secretary may determine that an amount greater or less than one acre reduction in permitted acreage is appropriate. If more than one crop is produced on the farm, the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted to all program crops.

The Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that there is no additional cost to the CCC. In ensuring that this provision is met, the Committee intends that this provision should be implemented on a national basis.

Similar to the provision for oilseeds, the Committee provides that producers may plant conserving, experimental or industrial nonprogram crops on reduced acreage. The Secretary shall determine which crops are allowed to be planted on reduced acreage. In contrast to oilseeds, the producer may elect to plant an approved crop on the entire reduced acreage. Also different from the oilseed provision is that the producer must agree to reduce the amount of deficiency payment that would be made by an amount equivalent to one acre of the program crop for each newly planted acre. Proration is required if the producer plants more than one program crop.

Targeted Option Payments

In an effort to provide the producer with additional planting flexibility, the legislation provides for a Targeted Option Payment (TOP) program. In general, under TOP, a producer may increase the acerage reduction requirement for the farm in exchange for an increase in the established price. The Secretary is directed to increase or decrease the established price by 0.5 to 1 percent for each percentage increase or decrease from the announced acerage limitation program. Likewise, the producer may decrease the acerage reduction requirement for the farm in exchange for a decrease in the established price.

The TOP program would be carried out for each of the 1991–95 crops of rice in any year in which the ARP percentage is 20 per-

cent or less. A producer would not be allowed to increase the acerage reduction requirement by more than 5 percent.

The producer may reduce the acerage limitation by no more than one-half of the announced acerage reduction program.

The Secretary shall ensure that the TOP does not have a significant effect on program participation or on total production.

Annual or perennial cover

It is important that set-aside acres be put to actual conserving uses that involve cover crops. Cover crops are capable of protecting the soil, enhancing water quality, and providing wildlife habitat. These are substantial natural resource and environmental benefits. The bill changes current law, which directs the Secretary to ensure that conservation use acreage is protected from weeds and wind and water erosion. The bill now requires producers to plant an annual or perennial cover on 50 percent or more of the acres idled by the rice acreage limitation program. The producer may decide how much in excess of 50 percent will be devoted to this use, but in no case can the Secretary require the producer to devote more than 5 percent of the crop acreage base for the particular program crop in question to this use.

Perennial cover crops can provide longer term and more consistent natural resource benefits since they do not have to be reestablished each year. For this reason, the bill provides cost-share assistance for 50 percent of the costs of establishing perennial cover crops on these acres. If a producer elects to utilize this cost share assistance, the producer shall agree to maintain the perennial cover for a minimum of three years.

In general, the existing provisions relating to devoting reduced acreage to conserving uses is unchanged. The haying and grazing provisions for 50/92 lands and reduced acreage devoted to conserving uses are slightly changed from current law to increase certainty for producers.

Water storage

The Secretary shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered devoted to conservation uses for a period of 5 years subsequent to its conversion to water storage.

Inventory Reduction Payments

Existing law provides the Secretary with authority to make inventory reduction payments to producers. This bill changes this provision whereby the Secretary is now required to make payments available to producers who otherwise meet the requirements of existing law.

Cross Compliance

Current law states that compliance on a farm with the terms and conditions of any other commodity program or compliance with crop acreage base requirements for any other commodity is required as a condition of eligibility for loans, purchases, or pay-

ments for rice on the farm. The bill changes this provision, stating that such compliance may not be required as a condition for eligibility for these programs and payments. The bill also provides that the Secretary may not require producers on a farm, as a condition for program eligibility, to comply with the terms and conditions of the rice program with respect to any other farm operated by the producer.

Other Provisions

Current law regarding land diversion payments is retained. Current law is also continued whereby reduced acreage and additional diverted acreage may be devoted to wildlife food plots or habitats, and the Secretary may provide cost share assistance for these practices. Provisions regarding participation agreements between the Secretary and participating producers, and the consequences if a producer fails to comply fully with the requirements of the program, are also continued. The Secretary shall use the CCC in carrying out the rice program for the 1991–95 crops.

Title VII—Peanuts

BACKGROUND

Peanuts are one of the world's principal oilseeds, ranking fourth behind soybeans, cottonseed, and rapeseed, with 10 percent of the total production of major oilseeds in 1985–87. Peanut byproducts make sizable contributions to global supplies of edible oil for human consumption and protein meal for livestock feeds. Principal countries producing peanuts are India, China, and the United States. Africa is also an important producing region. Most of the peanuts produced in Asia and Africa are crushed for food oil and animal feed.

Peanuts accounted for 3 percent of the production of major oilseeds in the United States in 1986–88 and ranked 12th in crop value. Soybeans are the dominant oilseed in the United States, with 86 percent of production, followed by cottonseed with 8 percent and sunflowerseed with 2 percent. U.S. peanuts derive most of their value from use of the seed as an edible nut, both in-shell and shelled, and in edible products, such as peanut butter and peanut butter sandwiches and cookies. Peanuts are also crushed to produce oil and meal, but the edible market commands a higher price than the crush market. U.S. peanuts that are rejected from edible channels because of quality factors are crushed. If there is an oversupply of a certain peanut type, those peanuts may be crushed. Peanut oil and peanut meal face strong competition from products derived from soybeans, cotton-seed, and sunflowerseed.

Before 1977, U.S. growers produced considerably more peanuts than the domestic edible market could absorb at the support price. The peanut program's cost to the Government was increasing. The 1977 and 1981 peanut programs were designed to reduce Government costs and to bring domestic supply and demand levels for peanuts used in edible products into balance. They were also designed to ease the transition for the peanut producers and their communities as the traditional program—largely unchanged since the 1930s—was replaced by shrinking poundage quotas for peanuts

used in edible products. The peanut program in the 1985 Act continued most of the provisions of the 1981 Act and sought to match supply and demand.

The current program provisions expire after the 1990 crop. Without specific legislative action, the former allotment and marketing quota provisions would again be applicable.

Structure of the Peanut Industry

The United States produced nearly 4 billion pounds of peanuts with a farm level value over $1 billion in 1988. There are relatively few farms harvesting peanuts compared with farms harvesting corn, wheat, and soybeans. Production is concentrated in nine States that planted 1.66 million acres in 1988.

Production Characteristics

Soil type, climate, and operation of the peanut program determine the location of peanut production. Peanuts are best adapted to well-drained, light-textured soils and, depending on the variety, require from 120 to 150 days from planting to maturity. Although the current peanut program no longer restricts production through acreage allotments, the poundage quota system still largely follows the historic allotment pattern. Peanuts are often grown in rotation with other crops, including wheat, soybeans, and corn.

Geographic Distribution of Production

There are three peanut-producing regions: the Georgia-Florida-Alabama region, referred to as the Southeast; the Texas-Oklahoma region, referred to as the Southwest; and the Virginia-North Carolina region, referred to as the Virginia-Carolina region. Seven States grow 98 percent of the U.S. peanut crop. Georgia is the leading peanut-producing State, accounting for about 45 percent of U.S. production. For 1986–88, the Southeast produced 65 percent of the peanuts, the Southwest 17 percent, and the Virginia-Carolina region 18 percent.

During the last three decades, the Southeast's share of U.S. production increased, but declined slightly from 1986 through 1988 because of droughts in 1986 and 1987. The Southwest's share has ranged from 15 percent to 26 percent, and the Virginia-Carolina share has dropped. Total peanut acreage fell between 1979 and 1982 but has risen since then. Planted acreage has moved in line with changes in the national poundage quota since 1984.

Types of Peanuts

Three main types of peanuts are grown in the United States: Florunners, Virginia, and Spanish. The Southeast grows mostly the medium kernel Runner peanuts. The Southwest used to grow two-thirds Spanish and one-third Runner but now grows more Runners than Spanish. Virtually all the Spanish peanut production is in Oklahoma and Texas. The Virginia-Carolina region grows mostly the large-kernel Virginia peanut. A fourth type, the Valencia, is grown in New Mexico.

In the 1987–88 marketing year, Runner peanuts accounted for about 78 percent of peanuts used in domestic edible products, Vir-

ginia peanuts accounted for about 14 percent, and Spanish peanuts accounted for about 8 percent.

TABLE 1.—PEANUTS USED IN EDIBLE PRODUCTS, 1979–87

[In millions of pounds [3]]

Year [1]	Runner	Virginia	Spanish	In-shell [2]	Total
1979–80	977	169	147	1,151	1,444
1980–81	871	99	106	90	1,166
1981–82	990	138	97	151	1,376
1982–83	992	215	102	155	1,464
1983–84	1,032	163	116	130	1,441
1984–85	1,051	176	115	159	1,501
1985–86	1,092	207	123	176	1,598
1986–87	1,053	281	126	162	1,622
1987–88	1,153	217	115	141	1,626

[1] August–July marketing year.
[2] To convert from in-shell to shelled basis multiply the in-shell weight by 0.7519. Most peanuts sold in the shell are Virginia peanuts; Valencia peanuts are also used.
[3] Shelled basis.

Trends in Domestic and Foreign Markets for Peanuts

Except for years when peanuts have been in short supply because of drought, domestic food use has grown steadily since World War II. The biggest food use of peanuts is peanut butter. Crushing peanuts for oil and meal varies from year to year, primarily because of fluctuations in production and foreign demand. U.S. peanut exports are small compared with domestic use. Major export markets for U.S. peanuts are the European Community, Canada, and Japan.

Edible Peanuts

Peanut manufacturers produce three principal products: peanut butter, packaged nuts (includes salted, unsalted, flavored, and honey-roasted nuts), and peanut candies. Almost half of all peanuts processed in the United States for edible purposes are used in the manufacture of peanut butter. Packaged nuts account for almost one-third of all processed peanuts. Some of these are roasted in the shell, commonly referred to as "ballpark" peanuts, while a much larger quantity is used as shelled peanuts packed as dry-roasted peanuts, salted peanuts, or salted mixed nuts. Some peanuts are ground to produce peanut granules and flour.

Dry-roasted and salted peanuts compete with other edible nuts, such as almonds, cashews, and pistachios. Edible peanuts can complement tree nuts in mixed nut packs but can also substitute for tree nuts up to some maximum level depending on relative prices. Peanut candy accounts for about 20 percent of all processed peanuts. Peanuts are the dominant shelled nut used in candies, followed by almonds.

Unshelled Virginia peanuts are roasted for use as ballpark peanuts or cleaned, in-shell peanuts. As shelled peanuts, 50–60 percent of Virginias are used as cocktail nuts and salted peanuts and 50–60 percent of Runners are used in peanut butter. Salted nuts and candy each account for about 20 percent of shelled Runner use. Spanish peanut use is about evenly divided among salted nuts,

peanut butter, and candy. Runners are the most important type for all shelled uses. Virginia peanuts dominate the roasted in-shell market. The Valencia peanut with its long shell containing three or four kernels is excellent for roasting in the shell.

Peanut Oil and Meal

In addition to edible uses, the peanut can be crushed into oil and meal. Peanuts rank among the world's principal oilseeds but contribute only insignificant quantities to the availability of edible oil and protein meal in the United States. In marketing years 1984 through 1987, peanut oil ranked sixth (6 percent) in production of the world vegetable and marine oils, behind soybean oil (29 percent), palm oil (16 percent), sunflowerseed oil (13 percent), rapeseed oil (13 percent) and cottonseed oil (7 percent). Peanut meal ranked sixth (5 percent) in production of major protein meals, on a 44 percent protein meal equivalent, following soybean meal (61 percent), cottonseed meal (9 percent), fish meal (9 percent), sunflowerseed meal (7 percent), and rapeseed meal (7 percent). In marketing years 1985 through 1987, U.S. peanut crush averaged 629 million pounds, or about 16 percent of peanut production.

U.S. Peanut Exports

The United States is one of the major world exporters of edible peanuts. Although the United States accounts for only about 9 percent of world peanut production, its share of world trade is 27 percent. U.S. peanut exports were over 1 billion pounds during the 1977/78 to 1979/80 marketing years, but fell to 503 million pounds in 1980/1981 because of higher prices and reduced availability resulting from a drought in 1980. Exports gradually recovered until they again exceeded 1 billion pounds in marketing year 1985/86. Exports fell below 700 million pounds in the 1986/87 and 1987/88 marketing years because of reduced supplies and increased competition.

Nearly all U.S. peanut exports are for edible use, but in some years, up to 20 percent are oilstock exports for crushing. The value of peanut exports averaged $197.5 million for marketing years 1985 through 1987. About 20 percent of the U.S. peanut crop was exported in the mid-1980's, compared with around 3 percent in the early 1960's and 15 percent in the early 1970's. Since 1985, the principal destinations of U.S. peanuts have been the European Community (64 percent) Canada (16 percent) and Japan (9 percent). The U.S. share has fallen in recent years because of increased competition, particularly from China.

U.S. export earnings from peanut oil averaged $2.6 million for fiscal years 1986 and 1987, less than 1 percent of total vegetable oil export earnings during this period. Major markets for U.S. peanut oil exports are the European Community, Canada, and Hong Kong.

The Export Outlook

The United States can export over 1 billion pounds of peanuts a year as evidenced by marketing years in 1978/79, 1979/80, and 1985/86. However, peanut exports can fall dramatically, especially when production falls. This happened in marketing years 1980/81 when U.S. exports were halved following the 1980 drought.

U.S. peanut exports have generally commanded a price premium over peanuts from other origins in world trade because of a quality difference. Foreign suppliers have improved their quality in recent years and become more price competitive. There is increasing concern about chemical residue in peanuts and many other food crops. In the case of peanuts, aflatoxin is also a concern. Both domestic and foreign buyers are setting tighter standards for residues and aflatoxin. The peanut industry is responding to this demand for tighter standards by phasing in lower aflatoxin limits. New peanut handling practices and technology are being evaluated to improve peanut quality.

Exports will continue to be influenced by the purchasing power in importing countries, the value of the dollar, and the price of U.S. peanuts relative to peanuts from other origins. Exports will also depend on the supplies and prices of competing edible nuts (almonds, cashews, hazelnuts, Brazilian nuts, walnuts, pistachios, pecans, and macadamia nuts) as well as snack foods.

Trends in Prices and Farm Returns

U.S. yields averaged about 1,000 pounds per acre in the mid-1950's. By the late 1970's, yields averaged more than 2,600 pounds per acre. Factors responsible for the yield increases included improvements in peanut varieties and cultural and management practices. Shifting to higher yielding varieties, especially the Florunner, substantially increased yields. Improved mechanization, insect and weed control, and cultural practices also contributed to the increases in yields.

Yields averaged over 2,800 pounds per acre in 1984 and 1985, but droughts in 1986 and 1987 cut average yields to 2,407 pounds and 2,281 pounds per acre. These dry years increased interest in irrigation systems, especially in the Southeast. As more irrigation systems are installed, yields will be less susceptible to droughts.

Production Costs and Returns

The Agriculture and Food Act of 1981 introduced a policy of unrestricted production for additional peanuts. This policy was consistent with expanding export demand and increasing production efficiency. Least-cost producers had an opportunity to expand, and new producers could enter the market in areas having a competitive advantage.

The basic national poundage quota for 1988 was 2.8 billion pounds, 70 percent of total peanut production. Production is larger than the national poundage quota for several reasons. First, quota holders may overplant to protect against low yields and ensure that they produce enough peanuts to market their quota. Second, under the current program, quota holders and growers without a quota become eligible for a share of increases in their State's poundage quota if they have a record of producing and marketing additional peanuts in 2 of the previous 3 years. Finally, there are some low-cost producers who can profitably produce additionals for the export market.

U.S. cash receipts for peanuts peaked in 1984, with gross returns exceeding $725 per acre. Cash receipts have fallen each year since 1984, except for 1986. Cash receipts in 1987 were 13 percent below

the level of 1984, due to lower yields, which have fallen from 2,828 pounds in 1984 to 2,281 pounds per planted acre in 1987.

Cash expenses per acre declined from about $450 per planted acre in 1981 to $395 in 1985 but exceeded $400 again in 1986 and 1987. Seed costs increased by 38 percent between 1985 and 1987 to surpass $82 an acre. Chemicals, the largest single cash expense, decreased slightly in 1987 after remaining steady for the past 5 years at about $90. General farm overhead costs increased 45 percent between 1985 and 1986, rising from 6 percent to 9 percent of total cash expenses. Interest costs, which accounted for 19 percent of total cash expenses in 1986, were sharply lower in 1987, falling by nearly 35 percent.

Cash expenses per pound of peanuts ranged from 16 cents to 18 cents from 1981 to 1987, except in 1984 and 1985 when high yields reduced costs to 14.7 cents and 14.2 cents a pound. Returns after cash expenses have ranged from 7 cents to 11 cents a pound of peanut production between 1981 to 1987. In 1980, a drought year, cash expenses were 22.5 cents a pound and returns above cash expenses were only 1.5 cents.

Returns above cash expenses increased in 1986 to $261 an acre, up $19 over those of 1985. Cash expenses and total receipts were lower in 1987, but because expenses fell just 3 percent while receipts fell 7 percent, returns after cash expenses declined 12 percent.

History of the Peanut Program

Congress has established a number of programs since the early 1930's to support and stabilize farm prices and income and to adjust production to market needs for certain "basic" commodities. While the programs have varied from one period to another, several key peanut program features have remained in place through the years, including marketing quotas, price supports, and acreage allotments (acreage allotments were suspended in the Agriculture and Food Act of 1981).

Early Programs

The failure of the Agricultural Marketing Act of 1929 and earlier programs to stabilize farm prices led to enactment of the Agricultural Adjustment Act of 1933. The aim of this legislation was to bolster the prices of certain basic commodities in surplus supply. Under the 1933 Act, farmers could take land out of production in return for benefit payments financed largely by processing taxes on the commodities.

In January 1936, the Supreme Court (Hoosac Mills decision) declared the production control features of the 1933 Act unconstitutional and voided the provisions on processing taxes. Congress then enacted the Soil Conservation and Domestic Allotment Act. This 1936 legislation authorized payments to farmers for voluntarily shifting acreage from soil-depleting surplus crops into soil-conserving legumes and hays. Peanuts were designated as a soil-depleting crop under this Act.

In 1937, four regional growers associations were organized to participate in the peanut diversion programs. The associations were reduced to three, the current number, in 1940. The associations

were authorized to buy up to a certain quantity of peanuts at prices established by USDA which absorbed storage price support at 90 percent of parity through 1949. Peanuts for oil were supported at 60 percent of parity.

The Agricultural Act of 1949 set support levels for basic commodities at 90 percent of parity for 1950 and between 80 percent and 90 percent for 1951. Producers were to receive price supports only if acreage allotments and marketing quotas were in effect. For 1952 and succeeding crop years, cooperating producers of basic commodities were to receive support prices at levels varying from 75 percent to 90 percent of parity, with the specific level depending on supply.

Marketing quotas and acreage allotments have been in effect for peanuts since 1949. The quotas originally were set above U.S. domestic needs to help alleviate the world food shortage. The national allotments were lowered each year from 1949 until 1954 when the legal minimum (established in 1941) of 1.61 million acres was reached.

To protect the domestic peanut price support program, the U.S. Government has, since 1953, set an annual import quota of 1,709,000 pounds (shelled basis). Some peanut products and peanut butter are not covered. Section 22 of the Agricultural Adjustment Act of 1933, as amended, gave the President authority to impose import quotas on farm commodities whenever imports interfered with the agricultural adjustment program. During the shortfall in domestic production in 1954 and 1980, larger quantities of peanuts were imported under emergency quotas.

Before 1978, the price support was based on parity and supports were substantially above world levels. Consequently, quantities taken under loan grew and Treasury costs for operating the program mounted, since the CCC had to dispose of surplus stocks at a price below the support.

1977 Legislation

The peanut program was substantially changed by the Food and Agriculture Act of 1977. The new peanut legislation was introduced to reduce Government costs and was envisioned as a transition for bringing production into line with demand with minimal economic hardship to peanut producers.

Unlike the voluntary programs for wheat, feed grains, rice, and cotton, the peanut program was still mandatory. Under mandatory programs, if at least two-thirds of the producers voting in a referendum approve the program, it becomes binding on all producers.

The 1977 Act implemented a two-price poundage quota program, retaining some elements of the old program such as acreage allotments and price supports. The acreage allotment system remained as an integral part of the new program. Producers still were required to have an allotment if they wished to grow and market peanuts. The minimum national acreage allotment was set at 1.614 million acres and apportioned among the States generally as in the past. The 1977 Act required that transfers of allotments within a county be allowed. Under the previous program, transfer of allotment within a county was permitted only if the Secretary of Agriculture approved it.

In addition to acreage allotments, each allotment holder was given a poundage quota. Producers could produce in excess of their quota, within their acreage allotments, but the quantity on which they could receive the higher of the two price support levels was limited to the quota. Peanuts in excess of quota are referred to as additionals.

The minimum national quota was set at 1.680 million tons for 1978 and decreased 5 percent each year to 1.440 million tons in 1981.

A minimum price support for quota peanuts was set at $420 per ton on a national basis. The quota support continued to be adjusted (differentials) to reflect quality and type as in the past, but deductions for inspection, handling, or storage were no longer allowed. The price support on additional peanuts was mandated to be announced by February 15 and was based on the world market conditions for peanuts and the expected price of peanuts for crush. In addition, CCC announced a minimum export resale price for loan peanuts each year.

1981 Legislation

The 1981 Act, which covered the 1982 to 1985 crop years, further modified the peanut program. The 1981 Act maintained the two-tier price system and continued the reduction in the poundage quota. A major change was the suspension of acreage allotments. Quota support prices were limited to quota holders and applied to the poundage quota, but since acreage constraints were removed, anyone was allowed to produce peanuts. However, additional peanuts were eligible only for the lower support price, and they were subject to marketing controls.

Use of additional loan peanuts in the domestic edible market was restricted to the provisions outlined in the 1977 Act, requiring purchasers to pay a quota peanut price plus handling and storage costs. Contract additional peanuts were restricted to the export or crush markets. The price support for additionals was based on the crush value for peanuts. The price support for additionals decreased from $200 per ton in 1982 to $148 per ton for 1985.

The quota support price was established by law at no less than $550 per ton, up from $455 in 1981. Increases in quota support were to reflect increases in costs of production but not to exceed 6 percent per year. A minimum CCC export resale price for additional loan peanuts was announced each year and was $425 per ton for 1985.

Sale and lease of poundage quotas were still permitted only within a county in the major peanut-producing States. In States with less than 10,000 tons of quota in 1981, cross-county sale and lease were permitted.

The minimum poundage quota was reduced from 1.44 million tons in 1981 to 1.1 million tons for 1985. The annual percentage reductions were shared equally among States.

1985 Legislation

The peanut program continued the two-tiered price support program for quota and additional peanuts through 1990. The program

became mandatory after a January 1986 referendum approved it for the 1986 through 1990 marketing years.

The 1985 Act established that the annual national poundage quota must be set at a level equal to the estimated quantity of peanuts that will be devoted to domestic edible, seed, and related uses but not less than 1.1 million tons. The national quota level must be announced by December 15 of the preceding marketing year. The 1986 national quota was allocated among States based on their 1985 allocations. Individual farm quotas were then granted to farms that had a quota in 1985. The national quota was 1.355 million tons in 1986 and 1987. The quota was increased to 1.402 million tons for 1988 and to 1.44 million tons for 1989.

The national average support rate for the 1986 crop of quota peanuts was set at the 1985 rate, adjusted for increases in an index of commodity and service prices, interest, taxes, and wages paid by producers during calendar years 1981 through 1985. The 1986 quota support rate was $607.47 a ton. The support rate for the 1987 through 1990 crop years is the rate for the previous crop, adjusted to reflect any increases in the cost of production (excluding any change in the cost of land) during the previous calendar year. The support rate cannot be increased by more than 6 percent from the previous year. The quota support rate remained at $607.47 a ton for 1987 and increased to $615.27 and $615.87 a ton for 1988 and 1989.

The price support level for additional peanuts is set at a level that ensures no loss to CCC from sale or disposal of the peanuts. The additional support rate has remained at $149.75 a ton for the 1986 through 1989 marketing years. USDA has maintained for the 1986 through 1989 peanut crop years a minimum price of $400 a ton for additional peanuts sold for export edible use.

The 1985 legislation maintained the 1981 provisions covering sale and lease of poundage quotas. Sale or lease of poundage quotas are still permitted only within a county in the major peanut producing States. In States with less than 10,000 tons of quota for the preceding crop, farm poundage quotas may be sold, leased, or transferred anywhere in the State.

Grower Associations

The peanut program is administered by three regional grower associations that act as agents for USDA. These associations keep records of quota and additional marketings, arrange warehousing for CCC loan peanuts, and operate the price support loan program. To get the support price, a grower places peanuts in storage arranged by the regional association. Once this is done, the grower no longer has control of them. Instead, the peanuts are part of a pool controlled by the association and CCC. Growers who have placed peanuts under loan are eligible for dividend payments if the association revenues from selling peanuts in the pool exceed costs of running the loan program. Although the regional associations operate independently of each other in most matters, they do share in each others losses. This was the case in the 1987/88 marketing year when revenues from the Virginia-Carolina region and the Southeast were used to offset losses in the Southwest.

PURPOSE AND NEED

Peanut producers harvest a semi-perishable crop that must be marketed in an orderly fashion to avoid deterioration. The current peanut program is running smoothly at minimal Government cost but needs minor changes to address concerns of both producers and processors.

National poundage quotas and acreage allotments

Section 702 amends the provision for the establishment of the national poundage quota. The Secretary would be required to adjust the quantity that would otherwise be determined if he finds that adjustments in the quantity to provide an adequate carryover for the remainder of the marketing year and to account for deliveries of under-marketings by producers will not increase program costs, cause the Commodity Credit Corporation to incur losses, or disrupt the integrity of the program. However, the minimum national poundage quota of 1,350,000 tons is retained.

In Section 702 it is the intent of the Committee that in the event the Secretary finds it necessary to consider under-marketings in determining the national poundage quota, a producer who consistently delivers his farm poundage quota shall not be penalized by a reduction in his base quota because of such consideration of under-marketings.

It is the intent of the Committee that in any year when quotas are decreased that said decreases be allocated to farms in the same manner that increases in quota are allocated under this section.

The intent of the Committee is to assure that tenant producers receive one-half of any increase in quotas based on the production of additional peanuts.

Sale, lease or transfer of farm poundage quota

In Section 703 it is the intent of the Committee to allow farm operators the flexibility of transferring farm poundage quotas from one farm to another for cultural purposes, primarily crop rotation, while at the same time preserving the farm production history and thereby the preservation of the basic farm poundage quota.

Marketing penalties; disposition of additional peanuts

Section 704 amends section 359 of the Agricultural Adjustment Act of 1938 as follows:

In Section 359a(d)(2)(B)(i), it is the intent of the Committee that there be no difference between the credit received for additional peanuts which are crushed or exported.

The Food Security Act of 1985 allowed handlers of additional peanuts to export or crush peanuts classified as other kernels but left the question of crushing sound mature kernels (which term included sound whole kernels and sound split kernels) in some state of confusion. This provision is intended to make it clear that handlers of additional peanuts may crush any additional peanuts that could otherwise be exported and the credit received by such handlers for crushing will be the same credit the handler would have received if those same peanuts had been exported.

The Food Security Act of 1985 created three categories of additional peanuts which were to be accounted for under non-physical supervision. Those categories were sound splits, sound mature kernels and other kernels. Complete interchangeability was allowed in the sound mature kernel category. That category in essence was confined to sound mature kernels that were whole kernels.

It is the Committee's intent that a handler export or crush the combined pounds of peanuts purchased as sound split kernels and sound mature kernels and that the requirement not be set separately for sound split kernels and sound mature kernels but rather that complete interchangeability between the two be allowed. The category of other kernels remains the same as in present law and other kernels are not intended to be interchanged for credit purposes with sound split kernels and sound mature kernels.

This section also amends the provisions relating to the disposition of additional peanuts to provide special export credits to handlers of peanuts who manufacture peanut products from domestic edible peanuts. The Secretary would be required to issue regulations permitting such handlers to export the peanut products and receive credit for fulfillment of export obligations for the peanut content of the products. Against such credits, a handler could thereafter apply equivalent quantities of additional peanuts of the same type acquired by him or her and used in the domestic edible market. Peanuts so acquired for the domestic edible market must be of the same crop year as the peanuts used in the manufacture of the exported products. This section is not intended to change current USDA policy which does not permit the exportation of peanut products to Canada or Mexico.

The Committee intends that the Secretary's regulations permit approved handlers of additional peanuts who fail to meet the August 31 deadline established by the Secretary for exporting such peanuts to request an extension of time to export any remaining quantities if the handler certifies that the peanuts will be exported by November 30. Under the regulations, the handler would be required to have in place a letter of credit acceptable to the area marketing association (or the Commodity Credit Corporation), covering the original obligation. In addition, for the extended obligation, the Committee intends that a letter of credit be provided in sufficient amount to cover any potential penalty for failure to meet the export requirements for the quantity of peanuts approved for extension. The Committee intends that handlers who are granted extensions beyond the August 31 deadline not be required to account to the area marketing association by specifically identified lots. Such accounting and reporting could be accomplished in terms of total pounds of peanuts for which export extensions are to be granted.

The Committee also intends that the Secretary's regulations permit a handler of farmer stock peanuts to transfer an identified lot or lots of peanuts to a manufacturer-handler. Under the regulations, the manufacturer-handler could dispose of such lots by exportation in peanut products, as raw peanuts, or by crushing. The identified lots may be transferred to another manufacturer-handler not more than twice and may in no event be transferred to a handler of farmer stock peanuts. Under the regulations, the receiving

manufacturer-handler would be required to establish a letter of credit in an amount equal to 140 percent of the loan level for quota peanuts for the quantity of pounds of peanuts in such identified lots so received. Any additional administrative costs to an area marketing association resulting from such transfers would be reflected in the handler assessments required to cover administrative costs of the area marketing association and are expected to be passed along to the manufacturer.

The Secretary should issue appropriate regulations to ensure that all quantities of contract additional peanuts are properly accounted for by handlers.

Section 704 also amends section 359a(d)(2)(B)(iv) with respect to shrinkage allowance. Present law with respect to a shrinkage allowance in connection with a handler's obligation to export or crush additional peanuts provides for a minimum of 4½ percent. This provision is intended to maintain the shrinkage treatment identical to the way it is treated in present law with the one exception that the minimum be changed from 4½ percent to 4 percent. As with present law the shrinkage may be greater than 4 percent should the Secretary so determine.

Under the Committee bill, handlers have export or crush obligations in two categories. The first category is sound mature kernels which term includes both sound whole kernels and sound split kernels and the second category is other kernels. The obligation in each category may be satisfied by either crushing or exporting the relevant kernels. Under this provision the handlers obligation in each category is to be reduced by at least 4 percent except for those handlers not complying with certain quality standards.

Section 359a(e)(2) is amended to allow the establishment of a post-harvest contract deadline. This deadline will allow the uninhibited commercial sale of additional peanuts by producers to handlers with sufficient letters of credit to purchase such peanuts up to the final date (December 15) for the execution of purchase contracts.

Such commercial deliveries prior to the contract deadline may stand in lieu of the requirement for the approval of a contract prior to delivery of additional peanuts. However, in no way shall this be construed as relaxing the requirement for handlers to maintain adequate letters of credit to satisfy their export obligation.

Section 359a(e)(3) is amended so that the contract form prescribed by the Secretary with respect to the disposition of peanuts simply expresses that it is the contracting parties' intent that the peanuts be either exported or crushed. It is not the intention of this provision that the contracting parties decide at the time of contract whether the peanuts will be exported, crushed, or sent to any particular destination, but only that they express their intention that the peanuts are to be either exported or crushed.

This section also amends the provisions relating to the sale of peanuts under price support loans. Whenever the Secretary finds that an area marketing association is withholding from sale stocks of peanuts without justifiable cause, the Secretary will be required to direct the association to make the peanuts available for sale.

Section 359a(f) requires the Secretary to give the peanut industry the maximum practical notice of decisions, directives and policies

with which the industry is expected to comply. Support prices must be announced by February 15 of each year. The Committee expects that the Commodity Credit Corporation's minimum resale policy for additional peanuts shall be announced at the same time so that growers, shellers and ultimate users of peanuts would be able to contract with knowledge of the Government's policy.

Section 359a(g)(5)(A) is intended to direct the Secretary to provide for unlimited reduction of penalties in appropriate cases. Under present regulations, the Secretary does not allow a reduction in penalties below 140 percent of the quota support price. This provision is intended to direct the Secretary to provide for reductions of any amount, including to zero, in those cases that the Secretary finds that a reduction is appropriate.

Price support program

Section 706 amends the provision for the establishment of the national average quota support rates for the 1991 through 1995 crops of peanuts as follows:

(a) For the 1991 crop, the support rate will be the same as the support rate for the 1990 crop, adjusted to reflect any increase during 1990 in the cost of peanut production (excluding any change in the cost of land). However, the support rate for the 1991 crop cannot exceed by more than 8 percent the support rate for the 1990 crop.

(b) For the 1992 and 1994 crops, the support rate will be the same as the support rate for the immediately preceding crop without any adjustment for changes in the cost of peanut production.

(c) For the 1993 and 1995 crops, the support rate will be the same as the support rate for the immediately preceding crop, adjusted to reflect any increase, during the two calendar years immediately preceding the marketing year for the crop for which a level of support is being determined, in the national average cost of peanut production (excluding any change in the cost of land). However, the total of any increases in the cost of peanut production for each of the two preceding years cannot exceed an average of 4 percent.

In section 706 it is the intent of the Committee to prevent farmers from being penalized in the price support of peanuts when meeting higher quality standards anticipated under this bill.

Presently, the USDA establishes a 5-year average base grade and establishes grade differentials for determining price support values. The intent of this section is to ensure the producer that, as changes are made for quality reasons, the baseline grade and differentials will shift to a higher average base grade and established grade differentials will be maintained accordingly whether the quality improvements result either from changes in the handling of farmer stock peanuts or changes in the grading of peanuts for edible use.

Indications are that the removal of low quality kernels (other kernels and loose shell kernels) from farmer stock peanuts will help in the improvement of quality of peanuts for the entire industry. As farmers adjust to the elimination of undesirable kernels there must be a mechanism to assure that farmers are not penalized and are provided price support protection at the level at least equal to the established (1990) price support levels before improvements in quality are made.

This may be done by using the USDA's 5-year average base grade and grade differentials for price support values at the 1990 level. This will allow quality to improve and the price support values for higher quality peanuts to rise commensurate with that improvement in quality. The use of the average base grade and grade differentials established for the 1990 crop will establish a price support floor equal to the average base grade and grade differentials used on the peanut loan schedule for the 1990 crop. Such price support floor will extend through the life of this bill, except that the national average support rate may be adjusted from time to time based on increases in production costs as provided for in this legislation.

Reports and records

In section 707 it is the intent of the Committee that the Secretary announce to the industry what information the Secretary may require, and that such announcement give the industry sufficient lead time to enable the industry to develop procedures necessary to furnish such information. The Secretary should avoid placing requirements on the industry without a prior in-depth analysis of the costs and disruption associated with satisfying such requirements.

Section 709 requires the Secretary to hold informal hearings whenever changes in regulation are being considered with respect to the price support and production control programs for peanuts. The informal nature of the hearings means that they will not be subject to the Administrative Procedures Act.

Title VIII—Oilseeds

Background

Setting for development of the Food Security Act of 1985

Soybeans are the largest crop produced in the U.S. without the benefit of direct government payments. In cash receipts, soybeans compete with corn as the number one cash crop in the U.S. In 1988, cash receipts for soybeans totaled $12.4 billion. Peanuts are a distant second in cash receipts. Peanuts have operated under a quota program since 1977 and are covered under Title VII of this legislation.

The number three oilseed is sunflowers, with cash receipts of $205 million in 1988. Other oilseeds include flaxseed at $17 million and safflower at $176,000. Rapeseed, including canola, is a new oilseed only recently introduced into the U.S. Information regarding the level of sales of rapeseed are not available at this time.

For the most part, all oilseeds undergo processing prior to use. Soybeans are crushed to provide two co-products, oil and high protein meal. Soybeans are usually crushed for meal, but more soybean oil is consumed in the U.S. than any other vegetable oil. Soybean meal is the dominant protein source in the U.S. feed industry. During the 1989 marketing year, 19.9 million metric tons of soybean meal are expected to be fed to livestock. Poultry represents one of the largest single demand categories for soymeal, with roughly 45 percent of all meal produced going to the broiler, egg

and turkey industries. Broilers alone use 25 percent of U.S. soymeal production.

Soybean plantings peaked in 1979 at 71.4 million acres. Since then, soybean plantings have fluctuated, but have shown a steady decline. The 1981 Act established a nonrecourse loan program for soybeans at $5.02 per bushel. The 1981 legislation did not establish a program for sunflowers or other oilseeds.

During the early portion of the implementation of the 1981 Act, oilseed demand and plantings remained reasonably strong. Soybean exports reached a record 929 million bushels in 1981, followed in 1982 with 905 million bushels. Crush demand for soybeans also remained strong with 1,030 million bushels of soybeans crushed for meal and oil in 1981 and a near-record 1,108 million bushels in 1982. The total use of soybeans peaked in 1982 at 2,099 million bushels.

Subsequently, demand for soybeans dropped significantly. The drought of 1983 sharply reduced production, and increased the price of soybeans to a season average of $7.81 per bushel. The higher price led to sharply lower demand, with total use of beans falling by nearly 300 million bushels.

Plantings of soybeans in 1984 increased by 4 million acres from 1983 levels. Together with more normal yields, soybean production rose nearly 230 million bushels. Demand for beans did not show the same growth in production. Export demand in particular fell 145 million bushels. Soybean prices also declined sharply in 1984, dropping from $7.81 per bushel in 1983 to a season average $5.84 per bushel for 1984. More important, ending stocks of soybeans increased to 316 million bushels.

Production of soybeans in 1985 rose almost 230 million bushels, even though planted acreage declined by 4.7 million acres. Relative to the year earlier, the combination of higher production and higher beginning stocks led to an increase in soybean supplies of nearly 400 million bushels. This was the equivalent of a 20 percent increase in marketable supplies of soybeans. Even though demand for both crush and exports increased in 1985, the growth was not sufficient to support soybean prices. Prices fell to a season average $5.05 per bushel and this price was held, only due to extensive use of the soybean loan program. At the end of the 1985 marketing year, the Commodity Credit Corporation owned 454 million bushels of soybeans.

Even in light of growing government stocks, the 1985 legislation did not provide much change in the soybean program. The nonrecourse loan rate was dropped to $4.77 per bushel and held at that level through the 1988 crop and a marketing loan was authorized but not implemented.

Effects Of The 1985 Act And The Setting For The Development Of This Legislation

The 1985 Act continued the policy that corn producers were required to plant corn, or participate in the 50/92 program, in order to obtain corn deficiency payments. Further, if a corn or other program crop producer elected to plant soybeans on program crop acreage, the producer faced a reduction in the program crop acreage base in future years. While not intended to limit soybean pro-

duction, these policies did force farmers interested in planting more soybeans to compare market prices for soybeans to target prices for corn. The comparison was rarely favorable to soybeans, especially in light of the loss of future corn entitlements.

Soybean plantings dropped further in 1986 to 60.4 million acres, the lowest level in 9 years. During the 1986 crop year, CCC stock management contributed to holding soybean prices near the loan rate for the second year in a row. The loan rate for the 1986 crop was $4.77 per bushel, and the season average price was $4.78 per bushel. During the 1986 crop year, CCC acquired more than 250 million bushels of soybeans, mostly during the first few months of the marketing year, and sold more than 225 million bushels. Most were sold within the last three months of the marketing year. The low price, coupled with growth in the broiler industry in particular, generated a 161 million bushel increase in demand. The reduced production level along with demand growth dropped ending stocks by 100 million bushels.

In 1987, soybean planting continued to fall, dropping to 58.2 million acres, the lowest level in 11 years. Yields increased only slightly, but enough to hold soybean production at levels almost identical to the 1986 crop. The decline in supply for the 1987 crop was due almost entirely to the fall in beginning stocks. This represented the first decline in soybean supplies in four years. While supplies of soybeans were still adequate, the increase in demand for crush and for export use raised soybean prices to $5.88 per bushel. The increase in demand, and the decline in supply reduced soybean stocks further, to just over 300 million bushels.

The drought of 1988 reduced supplies of nearly all crops, including soybeans. The widespread drought, particularly in the corn belt, dropped soybean yields to 26.8 bushels per acre, and reduced production to 1,538 million bushels, the lowest level in 12 years. With the reduction in beginning stocks, total supply of soybeans fell to 1,851 million bushels. Feed grain supplies were also sharply lower, leading to tight market conditions overall. This caused a significant increase in soybean prices, to $7.42 per bushel. Demand for both crush and exports fell, with export demand declining by nearly 275 million bushels.

A slight rebound in soybean plantings occurred in 1989. Government programs for feed grains and other program crops continued to limit producers ability to shift into soybeans. Even with soybean prices at planting time at or above $7.00 per bushel, producers still chose to increase soybean plantings by only 0.6 million acres. This continued the tight supply situation for soybeans, and has kept soybean prices relatively high. Current 1989 estimates are for average prices of $5.70 per bushel. Stocks are projected to increase in 1989, rising to 295 million bushels. This is up from the 182 million bushel ending stock figure for the 1988 crop, but again considered a manageable number.

While it is still too early to make definitive projections for the 1990 crop, the total supply of soybeans is projected to rise by 100 million bushels to 2,223 million bushels. Exports are also projected to increase, but only by 10 million bushels to 625 million bushels. This is well below the peak levels observed in the late 1970's of 900

million bushels. Crush demand for soybeans is expected to remain strong at 1,155 million bushels, the second highest on record.

Outlook For The 1990's

Demand for soybeans is a complex issue. Since nearly all oilseeds must undergo processing, an analysis of demand for oilseeds must focus on both the raw product and the demand for the processed products. If a processor is not receiving sufficient value for the products, there will be little demand for the oilseed. If demand for one of the products is strong, increased crush for that product may lead to an oversupply in the co-product market.

This is particularly true for soybeans. As mentioned earlier, soybeans are traditionally crushed for the high protein meal. A 60 pound bushel of soybeans contains roughly 47.4 pounds of protein meal and 11.2 pounds of oil. These form the basis of demand for soybeans. For the 1983 through 1987 crop, meal averaged 61 percent of the value of the products. For the 1988 and 1989 marketing year, the average meal value has been closer to 66-70 percent.

During the same time, the spread between the value of the products and the price of the beans paid by the processors (usually referred to as the crushing margin) has also fluctuated substantially. In the 1988 marketing year alone, crushing margins were as high as $1.10 per bushel in July, and as low as $0.19 per bushel in May.

Importers of U.S. soybeans must analyze the same relationships when deciding whether or not to import soybeans. If the crushing margin is small, it may be in the importer's best interest to purchase the specific product desired, rather than import the raw beans.

Brazil and Argentina, the major competitors for the U.S. in soybean product markets, have made considerable progress in capturing the employment opportunities created by exporting the processed products from soybeans, and not shipping the raw beans. Export tax and other licensing policies have been utilized to ensure a large processing industry, and subsequent employment opportunities. Brazil currently exports very few raw beans, and has in the past imported beans from the U.S., in order to meet its world processed product demand. In doing so, Brazil traditionally keeps the oil obtained from processing and exports the meal. This allows other importers to purchase strictly the product desired, rather than invest in, and operate, crushing plants.

Europe, on the other hand, has a significant need for soymeal. Europe is an importer of soybeans, which are crushed for meal and oil, but has grown to become a major exporter of soybean oil. The relationships between the product markets and the raw bean market are complex, but important in understanding the soybean industry and its future.

Soymeal demand is directly tied to the livestock industry, domestic and foreign. The poultry industry represents the single largest demand component for soymeal. Through improved management of the process, broiler producers are now able to convert just over two pounds of feed into one pound of broiler.

Given that the poultry industry is expected to continue its growth over the next five years, it is expected that demand for soymeal in the U.S. will also remain strong. Foreign demand for soy-

meal is also expected to continue firm. The quickest method of producing meat, other than fish, comes from poultry. With Eastern Europe and countries in the Pacific Rim expanding their economies, improving diets and seeking exports for foreign exchange, it is likely that poultry production will grow more quickly than pork or beef in those countries. However, in the case of Eastern Europe, historical preference for pork production may lead to more rapid growth in that area. For those reasons, demand for soymeal in international markets should remain strong as well.

Soyoil demand is not expected to show the same type of international demand strength as soymeal. While soybean oil is one of the world's dominant vegetable and marine oils, it accounted for only 28 percent of total world consumption in the 1988 marketing year. A number of other vegetable oils also substitute for soyoil in many uses. Palm, sunflower, rapeseed, cottonseed, peanut and olive oil account for 66 percent of world vegetable oil consumption. This puts soyoil demand in a position of being extremely sensitive to prices. If soyoil prices move up, it is highly likely that some other oil can be found to fill the consumer's need at a lower price. While soyoil provides only 28 percent of world vegetable and marine oil supply, in the U.S. soyoil accounts for 70 percent of all animal and vegetable oil consumption. The domestic market is the dominant market for soyoil, with only 12 percent of soyoil disappearance going to export markets and nearly all of that amount subsidized under various export programs.

Oil demand in the U.S. is tied to the price of other vegetable oils, to general economic growth and shifts in consumer preferences for vegetable versus animal fats. Because soyoil has already captured virtually all of the domestic market, the potential for further growth is limited. Edible tallow demand has fallen almost 30 percent in the past three years. Lard use is relatively constant, leaving any increase in domestic demand due to population or demographic effects open to vegetable oils. Corn oil is the major competition for domestic markets with soyoil, but corn oil use is less than 10 percent of soyoil use. Overall use of oils shows continual, albeit slow, growth which is expected to persist through the next five years.

Major Importers

World protein meal consumption has grown considerably over the past several years. In 1990, world consumption is projected to continue past growth, rising by 4.5 percent to 118 million metric tons. Supplies of both soybean meal and sunflower meal are expected to meet this demand. Meal demand should grow in the Soviet Union and recover in the U.S. and the E.C. Further, Eastern European demand is also expected to revive.

Soviet demand is expected to increase in the current marketing year, but without increases in meal imports. In 1989, the Soviet Union had a record domestic oilseed crop. Over the last several years, domestic meal production has not kept pace with increased demand, despite significant gains in oilseed production. With limited crushing facilities, the Soviet Union needed to import meal, instead of beans. During 1985/86 through 1989/90, meal imports increased from 603,000 tons to 3.9 million tons. Soybean imports

dropped over this period as domestic seed production took over an increasing share of crush capacity. With higher oilseed production within the country, but with continued strong demand for protein meals, it is expected over the short run that Soviet meal imports will rebound from 1989 levels over the course of the next two marketing years.

E.C. soybean and meal imports should return to 12.8 million tons in the current marketing year. However, imports on a soybean meal equivalent basis are not expected to reach the levels of two years ago. With slow recovery in total meat consumption, and with rapeseed meal satisfying some of the growing share of E.C.'s meal demand, soymeal faces further competition.

Oilseed meal imports have increasingly substituted for domestic oilseed crush in Eastern Europe. Regional oilseed production grew nearly 5 percent per year during the 1980's, while annual crush and oilseed meal production rose only 3 percent. Since Eastern Europe is self-sufficient in vegetable oil, it is less costly to import oilseed meal than to expand crush capacity. Net oilseed imports have declined steadily over the past decade as production increases have outstripped growth.

Oilseed meal consumption and imports are likely to rise only modestly in the 1990's. Growth of approximately 3 percent annually for both consumption and imports is possible and would be an improvement over the virtual stagnation in imports in the 1980's, but well below growth in the 1970's. With or without economic reform, Eastern Europe must still service its sizable foreign debt. Debt service requirements will constrain overall import growth as has been the case throughout the 1980's.

Major Competitors

The strongest competition for the U.S. in soybean markets comes from South America. Brazil, Argentina and to a much lesser extent, Paraguay, all produce soybeans or soybean products for export markets. The timing of soybean production and its availability to the market also make South American production a particular problem for the U.S. South American production comes on the market at a time of the year when U.S. supplies tend to be at their lowest, mitigating what might otherwise be seasonal price trends. Further, Brazil and Argentina tend to export, or utilize all of their production every year, keeping very little in stocks.

Soybean production for the 1989/90 growing season in South America reached a record 31.45 million tons, 0.3 million tons above 1988/89 levels. While Brazilian production was off, it was more than offset by increases in Argentina and Paraguay. Argentina's production recovered from last year's drought, while Paraguay's increase was a result of additional plantings. During the 1985–1987 period, production in Paraguay averaged 880,000 metric tons. 1989 production is estimated at 1.8 million metric tons. It is expected that Paraguay will continue at current production levels, and may further expand plantings and production.

Brazil has undergone considerable economic upheaval over the past five years. President Fernando Collor de Mello announced an austerity plan designed to curb the record inflation in Brazil. In the 12 months prior to the new President's inauguration, Brazilian

inflation measured 4,850 percent. Several policies included in the plan will affect the Brazilian soybean industry. Some of the reforms included government-guided, but free-floating currency, limited withdrawals from checking and savings accounts for 18 months, a 30-day freeze on prices and salaries and increased taxes on export profits from 18 to 30 percent. The free floating currency should make Brazilian soybeans and products more competitive in world markets.

The effect of these policy reforms on the soybean industry could be mixed. Delayed early harvesting and an introduction of the anti-inflation plan could slow marketings, while cash constraints on producers and uncertain storage credit could result in heavy marketing early in the year. However, soybean marketing was temporarily cut dramatically due to a shortage of cruzeiros to buy soybeans, and a lower than expected exchange rate which made exports less competitive.

However, a larger portion of the crop could be sold earlier in the marketing year in the future if producers' cash constraints become too severe, or if credit is not available to finance storage or provide for more orderly marketings. Further, if the austerity plan leads to a recession, it could reduce domestic demand for soybean products, increasing supplies for world markets.

Argentina has increased and decreased export taxes for soybeans several times over the past few years. In its most recent move, the Argentine government increased export taxes. The tax differential between soybeans and soybean products remains at 8 percent, encouraging the export of products, and not raw beans.

For the 1980 marketing year, Brazil planted 8.5 million hectares to soybeans. In the 1989 marketing year Brazil planted 11.3 million hectares. During the same time period, Argentina increased plantings from 1.7 million hectares to 5.0 million hectares. Argentina increased plantings 1 million hectares between 1988 and 1989 alone. From 1980 through 1989, soybean plantings in Brazil, Argentina and Paraguay increased by the same amount as all beans planted in 1989 in Indiana, Iowa and Arkansas, more than 16 million acres. Over the same period, while South American plantings have increased, U.S. plantings have declined 9.3 million acres. Clearly, the U.S. is losing the world oilseed market to South America, and unless action is taken soon, the U.S. will suffer further market erosion.

Other oilseeds have also experienced market loss, or reductions in domestic production. Sunflowers were planted on 5.5 million acres in the U.S. in 1979. In 1989 the U.S. area planted to sunflowers totaled only 1.9 million acres. In contrast, in 1980, Argentina planted 3.2 million acres of sunflowers and, by 1989, 7.4 million acres were planted. Flaxseed, which operated under a price support program as recently as 1980, had 760,000 acres planted in the U.S. in 1980. In 1989, only 210,000 acres. It is difficult to operate processing plants and maintain the infrastructure for a product with that magnitude of supply decline.

Purpose and Need

It is the purpose of this legislation, through modest income and price support, to help arrest the decline in U.S. oilseed production, and to improve the U.S. competitive position in world markets.

The legislation amends Title II of the Agricultural Act of 1949 and extends support to "soybeans, sunflower seeds, canola, rapeseed, safflower, flaxseed, and such other oilseeds as the Secretary may determine."

The legislation also provides a new section to the 1949 Act, section 205, providing loans and payments for oilseed for the 1991 through 1995 marketing years. The Secretary is to provide support through the use of nonrecourse loans for each of these crops.

For soybeans the loan level is established at $5.50 per bushel. For sunflower seeds, canola, rapeseed, flax and safflowers, the loan level is set at $0.097 per pound. This is roughly the average price relationship between soybeans and the other oilseeds on a pound-for-pound basis. The Committee intends that if the Secretary decides to extend a similar type of program to other oilseeds not included in the list provided, the Secretary should set the loan level at a rate that will take into account the historical price relationship between each type of oilseeds and soybeans, the prevailing loan level for soybeans, and the historical meal and oil content of each type of oilseed and soybeans.

While the Committee intends to stabilize, or provide for slight expansion in the U.S. oilseed industry, it is not the Committee's intention that excess production be stimulated. If demand for oilseeds does not warrant production levels generated by these programs and stock levels increase, the Secretary is directed to reduce the price support rate. If the Secretary estimates, not later than September 30 of the year previous to the year in which the crop of soybeans is harvested that the stocks-to-use ratio for any of the 1991 through 1995 crops of soybeans will be over 20 percent, the Secretary may establish the loan level for the crop at $5.25 per bushel; if over 25 percent, the Secretary may establish the loan level for the crop at $5.00 per bushel. In making adjustments to the soybean loan and purchase level, the Secretary shall make a corresponding adjustment in the loan level for sunflower seeds, canola, rapeseed, flaxseed, safflower seeds, and any other oilseed designated by the Secretary. Any reduction in the loan level determined made by the Secretary in one year shall not be considered in determining the loan level for subsequent years.

In providing for an increase in the loan level for soybeans, and in establishing loan programs for other oilseeds, it is not the Committee's intention that the Commodity Credit Corporation become a repository of oilseed inventories. The legislation provides that the Secretary shall permit a producer of oilseeds to repay a loan made under this section for a crop at a level that is the lesser of the loan level determined for the crop; or the prevailing world market price for the applicable oilseed (adjusted for location differentials), as determined by the Secretary.

The Secretary is directed to prescribe by regulation a formula for determining the prevailing world market price for oilseeds and a

mechanism by which the Secretary shall periodically announce the prevailing world market price for oilseeds.

The Committee intends for the Secretary to set repayment prices for oilseeds such as to minimize government acquisition of oilseed stocks. The Committee has provided means for the Secretary to reduce the price support levels for oilseeds if soybean stocks become excessive. However, the Committee also notes that the only time in the past fifteen years that soybean stocks-to-use ratio rose to the 25 percent level was in 1985, when Commodity Credit Corporation owned stocks were very high. With minimal, or no acquisition of oilseed stocks by the Corporation, it is expected that stocks-to-use should remain below the 25 percent level, if the Secretary properly provides for loan repayment prices.

The legislation also provides that the Secretary may make payments available to producers who, although eligible to obtain a price support loan for an oilseed, agree to forgo obtaining the loan in return for payments. In making these payments, the payment shall be computed by multiplying the loan payment rate by the quantity of oilseeds the producer is eligible to place under loan. For purposes of this payment, the loan payment rate shall be the amount by which the loan level determined for the crop under subsection exceeds the level at which a loan may be repaid.

The marketing year for soybeans shall be the 12-month period beginning on September 1 and ending on August 31, the marketing year for oilseeds, other than soybeans, shall be prescribed by the Secretary by regulation.

The Secretary is required to make a preliminary announcement of the level of price support for each type of oilseeds for a marketing year not later than July 15 of the year prior to the marketing year for the crop. The announced level shall be based on the latest information and statistics available at the time of the announcement.

The Secretary shall make a final announcement of the level of price support not later than November 15 of the year prior to the marketing year for the crop of oilseeds.

As was the case under past programs, the Secretary shall not require participation in any production adjustment program for oilseeds or any other commodity as a condition of eligibility for price support for oilseeds.

The legislation includes in other titles, provisions for the producer to plant oilseeds, in some cases including soybeans, on acreage required to be devoted to conservation uses, or diverted from production under other commodity programs. With those exceptions, the Secretary shall not permit the planting of soybeans for harvest on acreage required to be devoted to conservation uses or diverted from production under any other Federal Government program.

The Secretary may not authorize payments to producers to cover the cost of storing soybeans, nor may soybeans be considered an eligible commodity for any reserve program.

The legislation provides that the price support and other provisions of the Title be effective only for the 1991 through 1995 crops of oilseeds.

TITLE IX—SUGAR

Background

The United States sugar industry has been transformed in the 1980's. Factors in the changing market include support from Federal programs, restrictions on imports, changing consumption patterns, the advent of high fructose corn syrup as an alternative sweetener, and increasing productivity.

Production increases

U.S. production of cane sugar occurs in Florida, Hawaii, Louisiana and Texas. These states produced 3,333 thousand short tons, raw value, on approximately 778,000 acres. Puerto Rico is also covered by the domestic sugar price support program, and produced 96 thousand short tons of raw sugar on 50,000 acres.

Sugarbeets are grown in 14 states, with major production in Minnesota, California, North Dakota and Idaho. The United States produced 4 million short tons, raw value, in crop-year 1987/88. This production occurred on 1.3 million acres, of which 68 percent was located in the four leading states. Sugarbeets now provide about 45 percent of the U.S. sugar use, up from about 30 percent in 1981.

Sugar production reached a record 7,331 thousand short tons, raw value, in the 1987/88 crop year. This level was an increase of 24 percent from average production in 1979/80 through 1981/82. Cultivated area and yield increased for both beet and cane sugar. Drought and disease struck the 1988/89 beet crop and output has not fully recovered. Freeze damage in December 1989 caused 1989/90 cane sugar output to decline by 8 percent. Lingering effects of this freeze damage in Louisiana will lower 1990/91 production potential as well.

With normal weather and the assurance of stable prices through the support program, higher productivity should allow sugar production eventually to recover to 1987/88 levels.

Shifts in consumption

Consumption of sugar slowly declined from peak levels in 1977 of 11.1 million tons, raw value, until 1986 when deliveries fell to 7.8 million tons. Consumption since 1986 has been growing and is forecast to reach 8.4 million tons in 1990. The initial decline was largely due to a shift to high fructose corn syrup (HFCS) and other corn sweeteners. HFCS now has largely captured the market for caloric sweeteners for soft drinks.

Between 1977 and 1989, HFCS consumption grew from 1 million tons, dry basis, to an estimated 6 million tons. The share of the U.S. domestic deliveries of HFCS have increased from 9 percent in 1977 to 44 percent in 1988. In that period, cane sugar deliveries have plummeted from 62 percent to 29 percent. Beet sugar has retained most of its 1977 share of 29 percent of domestic deliveries, dropping to a low of 21 percent in 1984, then recovering to 27 percent of the deliveries.

Import restrictions tightened

The United States maintains strict quotas on imports of sugar and many sugar-containing products. These quotas on sugar imports help maintain the domestic price of sugar at a level of approximately 22–23 cents per pound.

The President is authorized to proclaim quotas and duties on sugar imports in the Headnote 2 of the Tariff Schedules of the United States (additional U.S. Note 3, Chapter 17 of Harmonized Tariff Schedule of the United States). In addition, the President may impose fees or quotas on commodity imports under authority of Section 22 of the Agricultural Adjustment Act of 1933. The President must find, prior to imposing such quotas or fees, that such imports render ineffective or materially interfere with commodity price support or stabilization programs, or that they are likely to do so.

The level of U.S. imports of sugar rose to an all-time record of 6.2 million short tons, raw value, in 1977. 1988 imports were limited by quotas to 1 million tons for U.S. consumption in 1988, approximately 7 percent of the combined consumption of sugar and HFCS for the time period. The quota has expanded in recent years as U.S. consumption has grown and weather-related problems have cut domestic production. The fiscal year 1990 quota is equal to 2.125 million tons.

World prices of sugar are among the most unstable in international trade, and even incremental changes in world production or government policies have had disproportionate effects on prices. The United States is among the top five importers, despite the lower level of raw sugar imports. The European Community is both a major importer and exporter of sugar. World sugar production in 1988/89 was a record 105.5 million metric tons. This represents an increase of 20 percent from the average production in 1978/79 through 1980/81.

Domestic price support programs

U.S. Government involvement in the production and marketing of sugar began nearly 200 years ago. Late in the 19th century, the rationale for sugar tariffs shifted from revenue generation to protection of the U.S. domestic industry.

Price support programs for the U.S. sugar industry have historically been mandated to protect domestic sugar producers from unstable world sugar prices. Since 1974, sugar support programs have been reestablished (although not as comprehensively) whenever the world price has been deemed so low as to threaten the viability of the U.S. sugar industry. Government support was absent only for the 1975 and 1976 crops and again for the 1980 and 1981 crops, when world prices climbed to cyclical highs. In many years, the world market price is artificially low, reflecting the residual nature of sugar trade and the intervention of many foreign governments to some degree in the sugar market.

Sugar price support was provided through loan rates of 18 cents per pound for the 1989/90 crop and earlier crops under the Food Security Act of 1985.

Purpose and Need

The sugar title of the Committee bill is basically an extension of the existing program for sugar for the marketing years 1991 through 1995.

The current sugar program supports the price of domestically grown sugar through nonrecourse loans at such levels as are determined to be appropriate, but not less than 18 cents a pound for raw cane sugar. This level is maintained in the current bill. The support for sugarbeets is to be fair and reasonable in relation to that for sugarcane. This freeze in the loan rate is consistent with action taken in other commodity titles, including wheat, feed grains, cotton and rice.

The Food Security Act of 1985 provided that the sugar program was to be operated in such a manner as to avoid the forfeiture of sugar to the Commodity Credit Corporation. This no-cost provision is also included in the Committee bill.

In order to make the loan program consistent with other price support operations carried out by the Commodity Credit Corporation, the bill provides for the sugar price support loans to have an effective term of 9 months.

Title X—General Commodity Provisions

Background

SUBTITLE A

Subtitle A of Title X of the legislation provides the acreage base and yield methodology to be utilized in the various commodity titles.

Crop Acreage Bases

Crop acreage bases and program payment yields form the backbone of administering many commodity programs. In nearly every calculation of program benefits, some payment rate is multiplied by an acreage base and a program payment yield. Changes in what is considered a crop acreage base, or program payment yield can have significant effects on a producer's revenue stream.

For wheat and feed grains, a producer's crop acreage base is established based on five years of area actually planted and considered planted to the program crop. This requirement essentially forced producers to continually plant the crop acreage base to the program crop.

Consider a producer with a 100 acre corn base who makes a decision not to plant corn in a particular year. The next year, the producer's corn base will be computed as follows: $(100+100+100+100+0)/5 = 80$ acres. The formula for determining wheat and feed grain acreage bases has no provision for excluding years in which the producer elects not to plant the program crop.

It is particularly important to observe the effects of this provision in the longer term. Consider the same producer who elected not to plant corn in one year. The maximum acreage the producer could plant, and have considered planted to corn the year after

planting an alternative crop and still receive government payments, is 80 acres. Assuming the producer participates in the program, the third year, the producer's corn acreage base would be computed as: $(100+100+100+0+80)/5 = 76$ acres. Over the course of the next three years, the producer's crop acreage base, assuming the producer participated in the program each year, would fall to 71 acres, 65 acres and 58.5 acres, respectively. The producer's acreage base would continue to fluctuate. In the fifth year following the producers decision to plant an alternative crop, the producers base increases to 70 acres. Eleven years after the producer made the decision to drop out of the corn program and plant an alternative crop, the producer's base would stabilize at 66 acres. This is clearly a system that does not provide producers with an incentive to react to market prices.

The consequences of this policy have had a significant effect on U.S. crop production, on environmental quality and on the ability of the agricultural sector to remain competitive across a wide range of products.

Cotton and rice acreage base determinations are different from those for wheat and feed grains. For cotton and rice, if no planted and considered planted acreage was established in any given year, then the Secretary was directed not to include that year in computing future crop acreage bases. However, the crop acreage base was not allowed to exceed the level of actual and considered plantings on the farm for each of the two years preceding the year for which the base was to be established.

In this case, consider a producer who planted 100 acres to cotton in each of the previous two years. The computation for the upcoming year would be as follows: $(100+100)/2 = 100$ acres. Had the same producer been growing corn instead of cotton, the producers crop acreage base would have been 40 acres.

There are substantive policy reasons for establishing the five year rule. First among these is budgetary exposure. If producers were able to establish crop acreage bases in one year, budgetary exposure over time would increase dramatically. Second, consider the markets for crops that historically have not received income protection, such as sunflowers or potatoes. If there were no controls, program crop producers could drop out of the program, produce the nonprogram crop, flood the market for the nonprogram crop, and shift back to program crop production the following year. The program crop producer would in effect have an insurance policy which the nonprogram crop producer was denied.

The commodity program provisions for the 1985–90 crops with respect to acreage bases are clearly not providing the flexibility needed in the 1990's. As new demands for agricultural products are developed, as market demand rises and falls, and in order to allow for better crop rotation, it will be necessary to allow producers to shift from crop to crop, within some limits.

Congress has recognized this need over the past two growing seasons. With the Disaster Assistance Act of 1988, Congress allowed program crop producers to shift up to 25 percent of a crop acreage base into soybeans or other oilseed production. The flexibility was accompanied by controls. The Secretary was required to allow producers to shift, but only if producers signed up to make the shift.

After the signup, the Secretary was required to project market prices for soybeans, and reduce the amount of acreage that could be shifted to soybean production in such a way as to protect a specific price floor. With the 1990 crop, Congress once again extended the "0/25" provision, with a price floor provision.

Program Payment Yields

Program payment yields have been in existence for some commodities, wheat and corn, since the early 1960's. Program payment yields form one of the key features in computing deficiency payments and in various ad hoc disaster programs. Until the passage of the Food Security of 1985 (the "1985 Act"), actual yields and program yields were tied somewhat, so that as technology improved the yield capability of a producer, there were generally increases in program payment yield. This created a dilemma. Program benefits made it to the producer's advantage to increase yields strictly to receive higher government payments.

In the 1985 Act, Congress provided that program payment yields for the 1986 and 1987 crops were established as the average program payment yield for the 1981 through 1985 crops. For 1988 and subsequent crops, the legislation provided the Secretary with a choice between continuing the frozen program yields at the 1981 through 1985 average, or using a moving average of actual and program yields. The Secretary has chosen to continue the frozen yield levels for the 1988 through 1990 crops.

SUBTITLE B

Subtitle B of Title X of the legislation provides for a variety of general commodity provisions, ranging from payment limitations to extension of the Food Security Wheat Reserve program.

Payment limitations

The 1985 Act provided for limitation on government payments in a variety of forms. Regular deficiency payments—based on the difference between the target price for the selected commodity and the market price or basic loan rate, whichever is higher—was subject to a $50,000 payment limitation. Payments based on marketing loan benefits, or emergency compensation "Findley Payments" were subject to a $250,000 payment limit.

The criteria for determination of a "person" (for payment limitation purposes) were adjusted by the Omnibus Budget Reconciliation Act of 1987. There has also been controversy in the recent past regarding the relationship of a spouse with respect to determining the number of persons eligible to receive payments on a farm. Under the 1985 Act as amended, a husband and wife are considered the same person, unless the two operated separate farms prior to the marriage and maintained them separately after marriage.

Advance Deficiency Payments

Under the 1985 Act, the Secretary was required to provide advance deficiency payments to producers. The Secretary was given the discretion, and was later required to, provide advance deficiency payments to producers for the 1987 through 1990 crop years. Ad-

vance deficiency payments were designed to help producers improve their short term financing, particularly at planting time. With an average of 40 percent of deficiency payments paid in advance, the payments enhanced cash-flow, but did not have a substantive effect on the Treasury as the majority of these payments would have been made over two fiscal years in either case. Providing the producer with the advance, particularly in the mid-1980's, gave a number of producers needed cash flow.

In providing advance deficiency payments, the Secretary must estimate market prices for the commodity in question prior to producers signing up for the commodity program. Producers then receive payments based on the difference between the target price for the commodity and the Secretary's estimate of market prices. During the past five years, due to droughts, shifts in demand, or other factors, the Secretary has tended to underestimate the season average price for a number of commodities.

Payment of Interest On Certificates

Generic certificates provided an effective tool for the transition from the 1981 to the 1985 legislation. The shift from wheat loan rates of $3.30 per bushel to $2.40 per bushel and similar reductions in the corn loan rate, or the move to a marketing loan program for cotton and rice, required some device to facilitate the change from high to low government price supports.

Since that transition however, the Secretary has continued to make payments to producers in the form of generic certificates. Generic certificates can be used to redeem crop loans, traded in exchange for CCC owned grain through catalogue sales, sold to other producers or individuals desiring to utilize the certificate or redeemed for cash after a period of 5 months. There have been periods in the past where certificates have traded at a premium to face value. Shortly after the initial issuance of certificates, a producer was able to sell a $1.00 certificate for as much as $1.10 per bushel or higher (briefly up to $1.30) in specific spot markets. A commercial exchange for certificates was established in St. Louis to facilitate transactions between buyers and sellers of certificates. Since that time, however, there has been reduced demand for the certificates and continued large supplies relative to that demand, in part, because higher prices obviated the need to redeem nine-month loans with certificates. This has led, in the recent past, to certificates trading at a discount to their face value. Thus, a producer who has received a payment in the form of a certificate must wait five months before receiving the cash. Alternatively, the producer may sell the certificate at less than the value of the certificate and by implication take a cut in payments from what was intended, if the certificate is trading below par.

Commodity Credit Corporation Sales Price Restrictions

The Commodity Credit Corporation (CCC) acquires stocks through nonrecourse loan programs in varying quantities over the years. One of the primary goals of a price support program is to provide price stability, with the government acquiring stocks when prices are low, but then placing those supplies on the market when prices rise to limit the increase in prices. This provides price pro-

tection to the producer on the low side, and price protection to the livestock industry or the consumer on the high side.

For some commodities, however, where the U.S. faces significant competition from one or two specific competitors, or commodities where the U.S. is not the dominant supplier, it is important that the Federal government hold relatively few stocks, making the market more responsive to domestic and foreign supply and demand conditions. Soybean or cotton markets are good examples where the product faces considerable foreign competition, and the U.S. is no longer the dominant supplier. Corn or wheat are examples of commodities where, in the case of corn, the U.S. is a dominant supplier, and where, in the case of wheat, the grain in question represents a basic food stuff. Government stock holding of wheat and feed grains is, in effect, an insurance policy.

Disaster Payments

The past five years have seen a number of climatic events which have led to producers facing total or partial reduction in crop production. In 1986, widespread flooding led to Congressionally-mandated disaster assistance. In 1988, one of the worst droughts on record hit the main corn and spring wheat belts. In reaction, Congress enacted one of the largest disaster assistance packages ever developed. In 1989, the drought of 1988 continued in certain parts of the country, forcing Congress to develop yet another disaster package.

In each of these years, the Secretary has had discretionary authority to operate a disaster assistance program through provisions in the commodity programs, but has chosen not to do so. The legislation included in the 1985 Act provided the Secretary with discretionary authority to provide disaster assistance, but the Secretary chose to wait for legislative action.

Extension of the Wheat Reserve

The Food Security Wheat Reserve Act of 1980 established the Food Security Wheat Reserve (FSWR) to ". . . provide for a wheat reserve solely for emergency humanitarian food needs in developing countries, the President shall establish a reserve stock of wheat of up to four million metric tons . . .". On January 15, 1981, President Carter signed an executive order establishing the FSWR. On January 16, 1981, the Secretary designated 4 million metric tons of wheat then in CCC inventory to be set aside for this reserve.

Since its establishment, the President has tapped the reserve twice. On December 5, 1984, President Reagan released up to 300,000 metric tons to meet food aid needs in Africa, the largest portion of which went to Ethiopia. On October 26, 1988, President Reagan authorized "the release of up to 1.5 million metric tons from the reserve . . . to provide, on a sale or donation basis, emergency food assistance to developing countries".

Since the initial designation of wheat for the FSWR, there has been no action to replenish the reserve, or to provide any mechanisms for moving additional stocks into the reserve. Further, no minimum stock objective has been set for the reserve. The Administration has recommended that the reserve be extended for the 1991 through 1995 crop years.

Farmer Owned Reserve Program

The farmer owned reserve (FOR) program was established in the Food and Agricultural Act of 1977. The program was a recognition of the growing importance and uncertainty of export markets to U.S. agriculture, and an expectation of greater demand and price instability brought on by those markets. In return for loans and storage payments farmers agree not to market their grain for an extended period of time (initially three years, but now three to five years although some wheat from the 1978 crop is still under extensions of this program), unless the average farm price reached a specified level, called the release prices. The FOR loan rate was sometimes higher than the regular 9-month loan in order to encourage entry into the program.

The reserve loan rate for wheat for the 1982/83 marketing year was set at $4.00 per bushel, $0.45 per bushel above the regular loan rate. The higher reserve loan rate was intended to raise participation in the reserve. The high rate, however, raised questions about whether the FOR program was intended to promote price stability or price enhancement. Over 1 billion bushels of wheat moved into the reserve in the 1982 crop year, and while much of the wheat came out of the 1983 crop year, the Secretary's actions raised significant questions. Market prices for wheat rose dramatically to obtain access to FOR wheat, to there release price for the reserve, even though there were large carryover stocks.

The 1985 legislation established target stock levels for the FOR at 7 percent of total demand for feed grains and 17 percent for wheat. In 1987, with rapidly growing demand for wheat and reduced wheat FOR stocks, the Secretary was in a position where increasing exports through promotion or enhancement programs would have required the Secretary to reopen, and encourage participation in, the FOR. In essence, the Secretary had to compete with the FOR in trying to promote exports of wheat. Congress reacted to this problem by setting a fixed amount of wheat that the Secretary was to maintain in the FOR, if prices fell below 140 percent of the loan rate.

The current program, however, continues to isolate FOR stocks from the market, if prices are below the release price. For wheat the release price for the 1990 crop of wheat is $4.00 per bushel. For corn the release is $2.75 per bushel. While the current level of grain in the FOR is low, the set release price does isolate this grain from the market until prices reach relatively high levels.

SUBTITLE C—HONEY

Honey is consumed in liquid or creamed form and used as an ingredient in a wide assortment of food products. Fructose, glucose, and water are the principal components of honey.

Besides producing honey and beeswax, honeybees *(Apis mellifera L)* perform an important pollination service to a wide variety of crops and plants. Honeybees are necessary for the production of many food and fiber crops. In 1973, about 3.5 million acres of fruits, vegetables, oilseeds, and legume seed crops produced in the United States depended upon pollination by insects. Another 63 million acres derived some benefit from insect pollination. In addition, hon-

eybees are important to the production of plants that provide food and shelter for wildlife, control soil erosion, and beautify the environment.

The Structure of the Beekeeping Industry

Bee culture is practiced throughout the United States, in areas with widely different types of climate and flora. Beekeeping systems consequently vary greatly with respect to geographic area, farming practices, and colony size. Some beekeepers move their colonies 30 times or more a year (from several miles to several thousand miles) to provide pollination services or increase honey production by providing bees with abundant sources of nectar during most months. Fees are frequently collected by beekeepers for the pollination services they provide to many fruit, vegetable, tree nut, field, and seed crops. In areas of good bee pasture, some beekeepers specialize in honey production. Other beekeepers in warmer climates like California and the southern tier of States may specialize in producing packaged bees and queens for stocking hives.

Beekeeper population

There are about 212,000 beekeepers in the United States. However, the estimate is not precise since no official surveys are conducted by the Government which report the total beekeeping population. Beekeepers are generally classified as hobbyists, part-timers (sideliners) or commercial producers.

Hobbyist Beekeepers

The beekeeping industry has a preponderance of small operators who keep honeybees as a hobby or for small-scale pollination of orchard and field crops. The industry generally considers hobbyists as beekeepers owning fewer than 25 colonies. There are about 200,000 active hobbyists in the United States, 90–95 percent of all beekeepers.

Most honey produced by hobbyists is consumed at home, given to friends and relatives, or distributed through local outlets. Thus, most of these small producers do not operate primarily for profit nor are they necessarily concerned with production efficiency.

Part-Time Beekeepers (Sideliners)

Part-time beekeepers or sideliners are classified as owners of 25-299 colonies. Units of this size are usually not large enough to employ a beekeeper full time, and beekeeping generally does not serve as the principal source of income. However, since part-time beekeepers sell the majority of their honey, they are more concerned with honey prices and production costs than are the hobbyists. There are about 10,000 part-time beekeepers in the United States. Hobbyists and part-time beekeepers together account for about 99 percent of the beekeepers, half of the colonies, and 40 percent of the honey extracted.

Commercial Beekeepers

Commercial beekeepers, those owning 300 or more colonies, are estimated to number about 2,000. This group produces about 60

percent of the honey extracted. Most commercial beekeepers relocate their bee colonies several times during the year in order to provide pollination services, to reach more abundant sources of nectar, or to escape damage from pesticides. By migrating, beekeepers can extend the production season by providing their bees with a supply of nectar for a longer period. The nonmigratory beekeepers seldom move their colonies over significant distances. The colonies are normally left in the same location, summer and winter.

Honey and Beeswax Production

Honey production varies widely among regions and from year to year depending on rainfall, soil conditions, temperature, cropping patterns, management, and various other environmental factors. Production has ranged from the 1952 peak of 272 million pounds to 150 million pounds in 1985. Honey production declined from an average of about 240 million pounds in the 1950's and 1960's to 211 million pounds in the 1970's. Major reasons for the downward trend in honey production include declining colony numbers largely due to lower honey prices resulting from increased competition with imported honey; fewer easily accessible floral sources of nectar, rising costs of operation, and pesticides.

Colony Numbers

The number of honeybee colonies peaked at 5.9 million in 1947. The most recent estimates by the National Agricultural Statistics Service (NASS) indicate that there were 3.2 million colonies in 1986, 1987, and 1988, based on beekeepers with five colonies or more. The largest concentrations of honeybee colonies were located in California, North Dakota, and Florida. NASS estimates for 1986-88 were about 1 million less than the 4.2-4.3 million colonies estimated by the Department of Agriculture (USDA) for 1982-85. The estimates are not comparable, however, because USDA estimates prior to 1986 included hobbyists who worked fewer than five colonies. Based on the 1980-83 average honey yield of 49 pounds per colony and total production of 200-227 million pounds for beekeepers with five or more colonies, there are probably still over 4 million colonies of honeybees, virtually unchanged from the 1970's.

Value of Production

The value of honey production was relatively stable from 1945-71, averaging $42.3 million. However, a drawdown of domestic honey stocks caused by decreased honey production in 1970 and 1971 boosted honey prices and caused a sharp jump in the value of the honey crop to $65.1 million in 1972 and $106.2 million in 1973. The average price of all domestic honey trended upward from 17.4 cents per pound in 1970 to a record 63.2 cents per pound in 1981. However, since 1981, the average price of honey has declined to around 50 cents per pound, largely due to increased competition from imported honey and, since 1985, a declining support price.

Pollination Services

Growers of tree fruits, legume and vegetable seeds, all kinds of cucurbits such as melons and cucumbers, oilseeds, and many other crops rent bees to distribute pollen on the large scale required by

modern agriculture to produce a commercial crop. It is estimated that more than 2 million rentals of honeybee colonies take place each year for major crops needing pollination. Many of the colonies are used on two different crops in the same year, and a small number even pollinate three crops. Thus, about 1 million colonies of honeybees are estimated to be involved in rental pollination, about 25 percent of all the colonies in the United States. About 70 percent of the pollination rentals occur in California, with an estimated 650,000 colonies used each year on almonds alone. Acreage and/or production has increased substantially over the last 20 years for many of the major crops that benefit from pollination.

The value of honeybees as pollinators far exceeds the value of the honey and beeswax produced. However, for most beekeepers, the receipts from honey and beeswax sales far exceed the fees received for pollination services. Considerable controversy exists over the actual dollar value of honeybees each year to U.S. agriculture, with $18.9 billion being a total frequently cited for an average marketing year. Estimates vary depending on whether the value is based on the total crop yield or just the marginal increase in yield due to pollination. A recent study estimates that the value of the increased yield and quality of 49 major crops achieved through pollination by honeybees was about $9.3 billion in 1985. The value attributable to honeybee pollination of those crops for which a rental fee was collected was about $3.2 billion.

Most pollination service rented to growers is provided by large commercial beekeepers. Hobbyists and part-time beekeepers generally do not provide pollination services for rent because they cannot economically justify investment in equipment to transport honeybees from one pollination site to another.

Purpose and Need

SUBTITLE A—ACREAGE BASE AND YIELD SYSTEM

Section 1001 of the bill establishes a new Title V of the Agricultural Act of 1949 in order to prescribe a system for establishing normal and crop acreage bases and program payment yields for the wheat, feed grains, upland cotton, extra long staple cotton, and rice programs that is efficient, equitable, flexible, and predictable.

The purpose of the subtitle is to allow producers more flexibility in making planting decisions, but to provide some control over the amount of acreage that is shifted in order to provide some protection to nonprogram crops.

Normal Crop Acreage.—The bill provides that the Secretary shall provide for the establishment and maintenance of a normal crop acreage for the 1991 through 1995 crop years.

Crop Acreage Base.—The bill provides for the establishment of crop acreage bases. A crop acreage base is to be established for each program crop, including any plantings under a double cropping system. The bill also provides for the establishment of historical oilseed plantings on the farm.

Double cropping of wheat and oilseeds has been an effective way of improving farm income in some instances, particularly in southern states, and should not be discouraged by this legislation.

For wheat and feed grains and oilseeds, the crop acreage base for each program crop and the historical oilseed planting for a farm for a crop year shall be the number of acres that is equal to the average of the acreage planted and considered planted to the program crop or oilseed for harvest on the farm in each of the five crop years preceding the crop year. This is a continuation of the program operated under the 1985 Act.

In the case of upland cotton and rice, if no planted and considered planted acreage has been established for a farm for each of the 5 crop years preceding such crop year, the crop acreage base for such crop shall be equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the 5 crop years preceding such crop year, excluding all crop years in which planted and considered planted acreage was not established for the farm.

However, for all program crops, any crop acreage base shall not exceed a number of acres equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the 2 crop years preceding such crop year. This is also a continuation of the programs that have been offered under the 1985 Act.

Considered planted.—Some of the major differences between the provisions of this legislation and the 1985 Act involve acreage considered to be planted. For purposes of this legislation, acreage considered planted to a program crop or oilseed shall include:

(1) any reduced acreage and diverted acreage on the farm;

(2) any acreage on the farm that producers were prevented from planting to the crop because of drought, flood, or other natural disaster, or other condition beyond the control of the producers;

(3) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to conservation uses or the production of commodities permitted by the Secretary;

(4) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to the production of commodities in accordance with section 505 of the 1949 Act;

(5) any acreage on the farm that the Secretary determines is necessary to be included in establishing a fair and equitable crop acreage base; and

(6) the entire permitted acreage for the crop, if producers on the farm certify that no acreage on the farm was planted to the crop and forgo receiving any payments under the program established under title I for the crop.

The provisions established under section 505 of the 1949 Act as amended by this bill will be discussed later: however, item (6) of this list does provide producers with an opportunity to shift their entire crop acreage base into some alternative crop, give up all payments for the crop the producers are shifting out of, and still maintain their acreage base for future years.

For example, consider a producer with a 100 acre corn base who decides to shift out of corn and into soybeans. If the producer agrees not to plant any acreage to corn, and agrees to give up all deficiency payments for corn on that acreage, then in the next year the producer's corn base would remain at 100 acres.

Producers with small or "nuisance" bases in a particular crop may find this provision of assistance in developing future cropping practices.

Establishment of base without records.—The legislation also provides for the County Agricultural Stabilization and Conservation (ASC) Committees to establish a crop acreage base or historical oilseed plantings for a crop year for any farm, if planting records for the crop for any of the 5 crop years preceding the crop year are incomplete or unavailable or if in at least 1 but not more than 4 of the 5 crop years preceding the crop year, the program crop or oilseed was not produced on the farm.

Secretarial adjustment for conservation purposes.—The Secretary is also directed to make adjustments to reflect crop rotation practices and to reflect other factors the Secretary determines should be considered in establishing a fair and equitable crop acreage base. The Committee intends that the Secretary utilize this provision when producers are required to change production practices, or crop rotations in order to be in compliance with conservation plans or to aid in the correction, or moderation of other environmental concerns.

Natural disasters.—If a county ASC committee determines that the occurrence of a natural disaster or other similar condition beyond the control of the producer prevented the planting of a program crop or oilseed on any farm within the county (or substantially destroyed any such program crop or oilseed after it had been planted but before it had been harvested), the legislation provides that the producer may plant any other crop, including any other program crop or oilseed, on an amount of acreage of the farm that, but for the occurrence of the disaster or other condition, would have been devoted to the production of a program crop (without regard to any acreage reduction program established for the crop).

Under current legislation and regulation, a producer who suffers a disaster and is precluded from planting, or loses a crop, is allowed to replant the acreage to another crop, and still retain base protection, only if the producer continues to remove the reduced acreage applicable to the original crop from production. The Committee intends that the Secretary allow a producer to utilize the reduced acreage applicable the original crop, should the producer suffer the type of loss mentioned in this section.

Subsequent crop years.—For purposes of determining the normal crop acreage, the crop acreage base, or historical oilseed plantings, any acreage on the farm on which a substitute crop, including any program crop or oilseed, is planted under this subsection shall be taken into account as if the acreage had been planted to the program crop or oilseed for which the other crop was substituted.

A producer who is eligible to receive a deficiency payment for any program crop in any crop year with respect to a farm may not use the acreage planted or considered planted to any program crop

or oilseed on the farm in the crop year to increase any crop acreage base established for the farm in a subsequent crop year.

Under this provision, if a producer is eligible to receive a deficiency payment for any crop on a farm, the producer will not be allowed to increase the crop acreage base or the historical oilseed plantings on that farm. The Committee intends that producers be allowed flexibility in making planting decisions, and that producers should not suffer future crop acreage base loss if the producer elects to shift into alternative crops. However, if a producer utilizes the base protection provisions of this legislation for any crop acreage base on the farm, the Committee does not intend for the producer to expand the crop acreage base or historical oilseed planting history of some other program crop.

Planting Flexibility

Within limits specified below, producers on a farm may plant for harvest on the crop acreage base established for a program crop a commodity, other than the specific program crop, without suffering a reduction in the crop acreage base as a result of the production.

The commodities that may be planted for harvest on a crop acreage base are—

(1) any program crop;

(2) any oilseed; and

(3) any nonprogram, nonoilseed crop.

The Committee intends that producers be allowed to plant within acreage limits any crop on acreage the producer so chooses, without suffering a loss in crop acreage base.

Limitation on acreage.—The quantity of crop acreage base that may be planted to a commodity other than the specific program crop for which the producer will retain future crop acreage base protection may not exceed 25 percent of the crop acreage base.

By way of example, consider a producer with a 200 acre wheat base, and a historical sunflower planting of 100 acres. The producer would be able to plant 25 percent, or 50 acres of the producer's wheat base to sunflowers in any year and retain a 200 acre wheat base for the following year. Other provisions in the legislation provide that the producer in the example would also agree to forgo deficiency payments on the wheat acreage base that was planted to sunflowers.

Plantings in excess of permitted acreage.—Producers of a program crop are allowed to plant the program crop to more than the crop acreage base without losing their eligibility for loans and purchases, if—

(1) the acreage planted to the program crop on the farm in excess of the permitted acreage does not exceed 25 percent of the crop acreage bases on the farm for other program crops; and

(2) the permitted acreage for the other program crops produced on the farm is reduced by an amount equal to the overplanting.

Again by way of example, if a producer has a 100 acre wheat base and a 100 acre cotton base, the producer may plant 25 acres of the wheat base to cotton, and retain the same 100 acre wheat and 100 acre cotton base for subsequent years. In doing so, the producer

would only be eligible for income protection on the 100 acre cotton base, lowered by any acreage reduction requirement, and on 75 acres of wheat base, again lowered by any acreage reduction requirement. In utilizing this provision, the Committee does not intend for a producer to receive deficiency payments for a crop the producer does not plant except in the case of the 0/92 program, nor does the Committee intend that a producer should receive deficiency payments for a crop for which the producer has not established a crop acreage base.

Loan eligibility.—Producers of a specific program crop (referred to as the 'original program crop') who plant for harvest on the crop acreage base established for such original program crop another program crop and who are not participants in the program established for such other program crop shall be eligible to receive loans or purchases for such other program crop on the same terms and conditions as are provided to participants in a production adjustment program established for such other program crop.

Producers shall be eligible to receive loans or purchases under this provision if the producers plant such other program crop in an amount that does not exceed 25 percent of the crop acreage base established for the original program crop and agree to a reduction in the permitted acreage for the original program crop for the particular crop year.

Another example demonstrates the intention of this provision. Consider a producer with a 400 acre rice base and historical oilseed plantings of 200 acres. The producer decides to exercise the flexibility provisions of this legislation and plants 100 acres to sorghum. In this case the producer would be eligible for income protection on the permitted acreage associated with the 300 acres of rice base, and loan and purchase eligibility for all three crops, rice, sorghum and soybeans. Had the producer elected to plant 110 acres of sorghum, the producer would not have been eligible for the loan and purchases program for the sorghum.

The flexibility provisions of this legislation need to be viewed as a whole by each producer. Essentially the provisions allow a producer to plant up to 25 percent or 100 percent of the crop acreage base to an alternative crop, while affording the producer base protection for subsequent years. Loan eligibility is provided for, as are reductions in deficiency payments. However, the provisions of this title, together with other provisions of the specific commodity titles, provide the producer with several options when making planting decisions.

Consider a cotton, wheat and soybean producer in the southeast. Assume that the Secretary has announced a 10 percent acreage reduction program for wheat, and a 20 percent acreage reduction program for cotton. The producer has a 400 acre cotton base, 200 acre wheat base and has historically planted 300 acres to soybeans. Under the provisions of this title, the producer could exercise the option to maximize soybean plantings and plant 900 acres to soybeans. In doing so, the producer would be eligible for soybean marketing loan benefits on all 900 acres and for subsequent years, the producer would retain the 400 acre cotton and 200 acre wheat base. The producer also would not have received any cotton or wheat de-

ficiency payments for the year the producer elected to plant 900 acres to soybeans.

Now assume that the producer elected instead to maximize cotton plantings. With the reduced acreage requirements assumed, the producer would be required to idle 100 acres—80 acres of cotton base and 20 acres of wheat base. The producer could plant 370 acres to cotton—320 acres on the original cotton base, and 50 acres from the 25 percent flexibility provision on the wheat base. Further, the producer could also plant 300 acres to soybeans. In this case, the producer would be eligible for cotton deficiency payments on 320 acres—the original 400 acres of cotton base, less the 80 acres of reduced acreage. The producer would also be eligible to receive deficiency payments on 130 acres of wheat—the original 200 acres of wheat base, less the 20 acres of reduced acreage, and less the 50 acres the producer planted to cotton. The producer would be eligible for loan protection on the entire crop.

Farm Program Payment Yields

The Secretary shall provide for the establishment of a farm program payment yield for each farm for each program crop for each crop year. In doing so, the Secretary shall select from one of the two following options:

(a) Farm Program Payment Yields Based on 1990 Crop Year—the farm program payment yield for each of the 1991 through 1995 crop years shall be the farm program payment yield for the 1990 crop year for the farm.

(b) Average of Actual Yields During Immediately Preceding Crop Years—the farm program payment yield for any program crop for any farm shall be the average of the yield per harvested acre for the crop for the farm for each of the 5 crop years immediately preceding the crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per harvested acre, and any crop year in which the crop was not planted on the farm. The actual yield per harvested acre shall be used in determining farm program payment yields under this provision.

Additional yield payments.—If the Secretary decides to utilize the first program yield option, for the 1991 through 1995 crop years, and if the farm program payment yield for a farm is reduced more than 10 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 10 percent below the farm program payment yield for the 1985 crop year. This continues a provision that was added to the 1985 Act in the Omnibus Budget Reconciliation Act of 1987.

No crop or yield available.—If the crop was not produced on the farm or no farm program payment yield was established for the farm for any of the 1986 through 1990 crop years, the farm program payment yield shall be established on the basis of the average farm program payment yield for the crop years for similar farms in the area.

National, state, or county yields.—If the Secretary determines the action is necessary, the Secretary may establish national, State, or county program payment yields on the basis of historical yields, as adjusted by the Secretary to correct for abnormal factors affecting the yields in the historical period; or the Secretary's estimate of actual yields for the crop year involved if historical yield data is not available.

Balancing yields.—If national, State, or country program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

Disasters or similar conditions.—County ASC committees, in following regulations, may adjust any program yield for any program crop for any farm if the program yield for the crop on the farm does not accurately reflect the productive potential of the farm because of the occurrence of a natural disaster or other similar condition beyond the control of the producer.

Actual yields not available.—In the case of any farm for which actual yield per harvested acre for any program crop for any crop year is not available, the county ASC committee may assign the farm a yield for the crop for the crop year on the basis of actual yields for the crop for the crop year on similar farms in the area.

Actual yield data.—The Secretary shall allow producers to provide county ASC committees data with actual yield for each farm for each program crop. The Secretary shall maintain this data for at least five crop years after receipt in a manner that will permit the data to be used, if necessary, in the administration of the commodity programs. The Secretary shall provide notification to producers of their ability to provide such data to the county ASC committees.

Irrigated yields.—The Secretary shall not establish farm program payment yields based on yields for irrigated land, as opposed to yields for nonirrigated land, for any acreage that was not irrigated prior to the beginning of the 1991 crop year.

The Committee notes that producers in some states have been able to add additional irrigation facilities on farms that already have some irrigation, and receive program payment yields consistent with irrigated yields for the entire irrigated area. Other producers who install new irrigation facilities on farms with strictly dryland yields have not been able to receive the higher program payment yield consistent with irrigated land. The Committee intends with this provision, that beginning with the 1991 crop year that no new irrigated yields be established.

Planting and production history of farms.—Section 507 of the new title V of the Agricultural Act of 1949 provides that each county ASC committee may require any producer who seeks to establish a normal crop acreage, crop acreage base, or farm program payment yield for a farm for a crop year to provide planting and production history of the farm for each of the five crop years immediately preceding the crop year.

Establishment of bases and yields by county ASC committees.—Each county ASC committee may provide for the establishment of a normal crop acreage, crop acreage base, and farm program payment yield with respect to any farm administratively located within the county if the normal crop acreage, crop acreage base, or

farm program payment yield cannot otherwise be established. The normal crop acreage, crop acreage bases, and farm program payment yields shall be established in a fair and equitable manner, but no such bases or farm program payment yields shall be established for a farm if the producer on the farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland.

Appeals.—The Secretary shall establish an administrative appeal procedure that provides for an administrative review of determinations made with respect to normal crop acreage, crop acreage bases, and farm program payment yields.

SUBTITLE B—MISCELLANEOUS COMMODITY PROVISIONS

Payment Limitations

This section continues the restrictions established under current law with respect to the amount of payments a person may receive for the crop years 1991 through 1995 for wheat, feed grains, upland cotton, extra long staple cotton, rice, soybeans and other crops and the definition of a "person" for the purposes of applying this limitation. Each person is limited to a payment of $50,000 for deficiency payments and land diversion payments. The total amounts of payments, including deficiency payments, disaster payments, gains from a marketing loan program and loan deficiency payments that a person can receive is limited to $250,000 for each crop year. A person may not hold substantial beneficial interests in more than two entities if that person also receives a payment as a separate person. If a person does not receive a separate payment, that person may not hold substantial beneficial interests in more than three entities. The result is that a person may receive up to $100,000 in direct program payments, and $500,000 in overall program benefits.

Loan deficiency payments under a new marketing loan program for oilseeds, including soybeans, would be subject to the same limit of $250,000 per person.

The Committee has adopted a new provision regarding the treatment of spouses and their eligibility to receive farm program payments. Each spouse may be considered a separate person for the purpose of payment limitations if each spouse meets the requirements of the law and if the spouses do not hold a substantial beneficial interest in more than one entity engaged in farm operations, including the spouses themselves. As under current law, those spouses who, prior to their marriage, were separately engaged in farming operations, shall be treated as separate persons with respect to each farming operation, so long as the operations continue to be operated separately after the marriage.

The current restrictions on commodity payments to foreign persons are continued for the crop years 1991-1995. A person who is not a U.S. citizen or a legal resident alien is ineligible to receive commodity program loans, payments or benefits unless that person contributes a substantial amount of personal labor in the production of crops for which payments are made.

Advance Deficiency and Diversion Payments

The legislation continues the provisions of the 1985 Act, as amended by various Reconciliation Acts, for the 1991 through 1995 crops. Under this provision, wheat and feed grain producers must be offered at least 40 percent of estimated deficiency payments at time of signup and may be offered up to 50 percent. For cotton and rice producers, the Secretary must offer 30 percent of the payment at time of signup, and may offer up to 40 percent.

The legislation includes a new provision that provides payments to producers if the Secretary underestimates market prices for purposes of computing advance deficiency payments. The section provides that if the deficiency payment payable to a producer for a crop, as finally determined by the Secretary, is less than the projected deficiency payment estimated at signup, the Secretary shall provide a payment to the producer equal to 20 percent of the difference between the final deficiency payment and the projected deficiency payment.

For example, if the Secretary projected at time of signup a wheat deficiency payment of $1.00 per bushel, and market prices increased so that the actual deficiency payment was $0.25 per bushel, this payment would be computed as 0.2 times ($1 minus $0.25) equals $0.15 per bushel. This payment would be in addition to the $0.25 earned deficiency payment.

Advance Recourse Commodity Loans

This legislation continues the advance recourse commodity loan program provided for in the Agricultural Act of 1949.

Interest Payment Certificates

This legislation continues the Secretary's authority to provide interest payment certificates for producers who repay a nonrecourse loan, including interest costs with a certificate, exchangeable for CCC owned commodities in an amount equivalent to the interest cost of the loan.

Payment of Interest on Certificates

The legislation establishes a new provision regarding the use of generic commodity certificates. Under current practice, generic certificates may be exchanged for cash after a period of time fixed for each certificate at time of issuance. As currently issued, the certificates have a life of eight months from the last day of the month the certificate was issued. After five months of this period, the producer may redeem the certificate for cash. In doing so however, the producer has not had use of the funds for up to five months. By utilizing certificates in this manner, producers are in effect not receiving the full value of legislated payments.

This provision, without precluding the Secretary's ability to issue certificates, requires that the Secretary provide interest payments on generic certificates if they are exchanged for cash.

Commodity Credit Corporation Sales Price Restrictions

This provision reflects a change from past policy regarding CCC sales price policy, particularly with respect to the sale of soybean

stocks. Current law provides that CCC may sell commodities owned by the Corporation at a rate that is not less than 115 percent (105 percent for soybeans) of the national average loan rate for the commodity, including soybeans. If a marketing loan program is in effect for a commodity, the Secretary may sell CCC owned stocks at 115 percent of the average loan repayment rate. Exemptions are made for commodities with a farmer owned reserve program in effect. For those commodities current law provides a resale price of not less than 110 percent of the release price for the commodity.

This legislation continues similar provisions, but does provide that soybean resale prices should be at 105 percent of the loan rate or 115 percent of the loan repayment rate, whichever is lower. Further, the legislation establishes the resale price for extra long staple cotton at a level "the Corporation determines is appropriate to maintain and expand export and domestic markets".

The legislation also modifies the current resale policy regarding crops with a reserve program in place, setting the CCC resale price at 105 percent of the established, or target price, for the commodity.

The remaining provisions regarding exceptions to these sales price restrictions for disaster assistance, and other exceptions are updated but left essentially intact. Other provisions left intact deal with the concentration of grain along with other miscellaneous provisions regarding the handling of CCC-owned grain.

Disaster Payments

The legislation continues the discretionary disaster assistance program for the 1991 through 1995 crops of peanuts, soybeans, sugar beets and sugarcane. The provisions regarding prevented planting, and yield loss are similar to those provided for in the other program commodities, with slight changes in payment rates and loss thresholds.

Multiyear Set-Asides

Provisions in current law that allow for multiyear set-asides are extended through the 1995 crop.

Supplemental Set-Aside and Acreage Limitation Authority

Provisions of the Food Security Act of 1985 that allow the Secretary to offer an additional acreage limitation program, if the President announces a restriction on exports of wheat or feed grains, are extended through the 1995 crop.

Extension of Wheat Reserve

This provision extends the current Food Security Wheat Reserve (FSWR) through the 1995 crop year, with a modification. Under the current law, the President was to establish a reserve at 4 million metric tons through either the purchase on the market of wheat, or by transfer from CCC owned stocks into the reserve. No specific provisions are included in current law directing the Secretary to shift grain into the reserve, even if the entire reserve is depleted.

The legislation amends current law by adding a new section directing the Secretary to take whatever steps are necessary to ensure that stocks in the reserve equal at least 75 million bushels

at the end of the marketing year when the season average price for wheat during the marketing year is less than 140 percent of the loan rate.

Adjustments of Support Prices

The legislation updates the current provision regarding adjustments of support prices for differences in quality, grade, location and other factors. Specifically for upland cotton, the quality differences (premiums and discounts for quality factors) shall be established by the Secretary by giving equal weight to (1) loan differences for the preceding crop, and (2) market differences for such crop in the designated United States spot markets.

If the Secretary determines that adjustments in the differential for wheat and feed grains are needed in any particular region or county, the Secretary may not increase or decrease the regional, State, or county loan rate from the level established for the previous year by more than the percentage change in the national average loan rate plus or minus 2 percent.

Farmer-Owned Reserve Program

The legislation makes significant changes in the farmer owned reserve (FOR) program. Under current law, the Secretary is required to discourage producers from redeeming FOR loans unless the price is above the release price. Currently, release prices for wheat and feed grains are established at the target price. If market prices are less than that level, producers may redeem the loan under current provisions only if certificates are available, or if the producer wishes to pay penalties. Further, under the current program, a producer receives a storage payment for the grain in advance of the actual storage. If a producer decides to redeem a loan, the producer must repay any unearned storage payments.

Under this legislation, a producer will be allowed to redeem any FOR loan at any time. The Secretary shall not discourage a producer from repaying FOR loans. Further, storage payments are to be made on a quarterly basis, in arrears. This should make the FOR more responsive to market conditions.

The Secretary is required to provide entry into the FOR whenever wheat and feed grains are in abundant supply, as determined by the Secretary, or whenever the price of wheat or feed grains is less than 140 percent of the loan rate for the crop. Any loan provided for under this provision shall be at a rate not less than the current price support level for the commodity. The Secretary shall provide for loans with a maturity of not less than three years, with extensions as warranted by market conditions, with storage payments as previously discussed and shall charge interest under conditions described below.

Since the Secretary may be required to limit participation in the FOR program, the Secretary shall ensure that producers are afforded a fair and equitable opportunity to participate in the program established under this section, taking into account regional differences in the time of harvest.

The Secretary may charge interest on loans under this section whenever the price of wheat or feed grains is equal to or exceeds the then-current established (target) price for the commodities. If

interest is levied on the loans under this provision, the interest may be charged for a period of 90 days after the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities. The rate of interest charged to participants in this program may not be less than the rate of interest charged to the Commodity Credit Corporation by the United States Treasury. The Secretary is given the authority to waive or adjust the interest as the Secretary considers appropriate to effectuate the purposes of this section.

As previously mentioned, the Secretary shall provide storage payments to producers for storage of wheat or feed grains under this program under such conditions as the Secretary determines appropriate to encourage producers to participate in the program. The Secretary shall make storage payments available to participants in this program at the end of each quarter. The Secretary may cease making storage payments whenever the price of wheat or feed grains is equal to or exceeds the then current established price for the commodities, and for any 90-day period immediately following the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities.

Emergency provisions are included providing the Secretary with the authority to allow producers to repay loans under this program, including interest costs, if the Secretary determines that emergency conditions exist that require that the commodity be made available in the market to meet urgent domestic or international needs. If the Secretary makes this decision, the Secretary is required to report the determination and the reasons for the determination to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition and Forestry of the Senate at least 14 days before taking the action.

The Secretary is authorized to establish maximum quantities of wheat and feed grains that may receive loans and storage payments under this program. The Secretary may establish the maximums at no less than 300 million bushels of wheat and 600 million bushels of feed grains. In addition, the Secretary may not set the maximums at more than 30 percent of the estimated total domestic and export usage of wheat or at more than 15 percent of the estimated total domestic and export usage of feed grains, except that the Secretary may establish the upper limits at higher levels, not in excess of 110 percent of the established levels, if the Secretary determines that the higher limits are necessary to achieve the purposes of the FOR.

The Secretary is to announce the terms and conditions of the FOR as far in advance of making loans as practicable. In making the announcement, the Secretary shall specify the quantity of wheat or feed grains to be stored under this program that the Secretary determines appropriate to promote the orderly marketing of the commodities.

Provisions similar to current law are provided for the maintenance and management of the grain stocks. Use of the CCC to carry out this section is also authorized.

In operating this program in the past, the Secretary has provided a loan rate that has had regional, or location differences, but that for the most part sets the same loan rate for all classes of wheat. Producers have rotated grain in and out of the reserve program in order to maintain the quality of the grain and have on occasion substituted a different class of wheat for wheat that was already in the FOR. Given that one loan rate is established for wheat, the Committee determined this to be a reasonable practice. The legislation continues a provision incorporated in the Agricultural Act of 1949 by the Disaster Assistance Act of 1988. That provision allowed a producer who had substituted other commodities, i.e. other classes of wheat, for the original commodity pledged as collateral for an FOR loan to repay the loan using generic certificates, if the substitute commodity was pledged and redeemed within the same county.

Comparability of Storage Payments

The legislation provides a change in the level of storage payments provided to producers for the farmer owned reserve program. Currently, producers receive a storage payment of $0.265 per bushel per year for grain in the FOR. Commercial storage rates have been much higher than that rate in the past, and are currently $0.05 to $0.10 per bushel per year above the farm storage rate. The legislation states that, to the extent practicable, the Secretary should ensure that the commercial storage rates paid by the Secretary are comparable to that paid for farm storage. In determining comparability in storage rates, the Secretary should consider demand for storage, efficiency, location, regulatory compliance costs, bonding requirements, impact of user fees, and other considerations determined appropriate by the Secretary.

SUBTITLE C—HONEY

The honey price support program has benefited beekeepers by smoothing out price fluctuations and providing a market for honey at an assured price. The number of individual loans made under the honey program has increased significantly since 1985 due to the lower loan repayment provision which was added to the program by the Food Security Act of 1985 (the "1985 Act").

The prices paid for honey by the Government under the support program have exceeded those in the domestic and world markets since 1981, thus providing additional benefits to beekeepers. As the industry found it profitable to import lower priced honey for domestic use and forfeit domestically produced honey to the Government, U.S. honey imports reached successively record-high levels in 1981–85. Forfeitures of honey to the Government peaked with the 1984 crop when it acquired 98 percent of the 107.5 million pounds of honey placed under loan. This represented about 64 percent of domestic honey production.

The 1985 Act addressed these concerns by requiring a 5 percent decline in support rates for each of the years covered by the bill. The 1985 farm bill also addressed the concern that some had with regard to the possible forfeiture of imported honey to the CCC because forfeiture was so profitable. The 1985 Act made it illegal for producers to forfeit imported or adulterated honey and required

the producer forfeiting such honey be barred from participation in the program for 3 years.

For the 1986 crop, the first crop covered by the lower loan repayment option, forfeitures were 23 percent of loan collateral.

For fiscal years 1980–88, Government expenditures to operate the honey price support program have totaled $525.6 million. Over 520 million pounds of the 1980-88 honey crops have been forfeited to the Government under the loan program. Most forfeited honey is currently being disposed of through domestic food assistance programs.

The Africanized honeybee, diseases and parasites, herbicides and pesticides, honey imports, and price support policy are all important issues to the beekeeping industry and may significantly affect its structure before the end of the 20th century.

In light of these facts, the Committee chose to continue the honey price support program, freezing the support price at 56.86 cents/pound and allowing the Secretary to establish the loan repayment rate at a level that is the most beneficial to the producer and the Federal Government. The bill also continues to preclude forfeitures for adulterated or imported honey and will disqualify any producers forfeiting such honey from the program for a period of three years.

TITLE XI—TRADE

SUBTITLE A—THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 (PUBLIC LAW 480)

To achieve major improvements in the Public Law 480 food assistance program, this subtitle would institute the following reforms:

Cleaning up the bureaucratic morass.—This is accomplished by establishing clear lines of authority to the agencies responsible for different parts of Public Law 480, by requiring that there be multiyear approvals of country, private voluntary organization and cooperative programs (as opposed to the current practice of requiring annual approvals even for programs that will run for several years), and by amending the process by which commodities are determined to be available or unavailable for Public Law 480 use (the so-called "docket"), which has been a major roadblock to having an efficiently run program.

Providing food on a grant basis to the poorest countries.—Currently, Public Law 480 authorizes concessional financing of export sales of commodities, with repayment in dollars. These long-term loans (up to 40 years), which constitute over one-half the tonnage shipped each year under Public Law 480, only serve to exacerbate the debt situation in many of the poorest countries. The wisdom of providing 40 year loans for food to be consumed in months is questionable.

Focusing food aid on countries which need it the most.—In the past, less needy countries received the most food assistance. Foreign policy and other considerations frequently channeled food away from the neediest countries and to the more politically important ones. This legislation tightens country eligibility criteria for the grant program to reflect a greater concern for the food security

of the neediest countries. Only the truly poor and food deficit countries will qualify under the new grant program.

Establishing a new market development program for the more developed third world nations.—While market development has always been a goal of Public Law 480, bureaucratic problems and other conflicting goals have frequently hindered market development activities. A clear line of authority to the U.S. Department of Agriculture (USDA) to run the market development portion of this program should address this problem.

Establishing a new Food for Freedom program.—Current law limits Presidential authority to respond quickly to new and emerging democracies. The new Food for Freedom program provides maximum flexibility to respond to unforseen situations, such as those currently facing the United States in Eastern Europe.

Establish a debt forgiveness mechanism for the poorest countries.—The poorest countries are facing impossible debt burdens. For example the 12 poorest countries in the world have a combined debt burden of $35 billion. The legislation provides a means for those poor countries who are putting their economic house in order to receive forgiveness of debt incurred under earlier Public Law 480 title I loans. This is similar to existing authority to forgive debt incurred under the Foreign Assistance Act.

Requiring better timing of food aid shipments.—The bureaucratic delays inherent in the current program and the forced single-year programming requirement often result in food shipments arriving at harvest time and depressing prices or rotting on the docks. The legislation reforms this process by removing bureaucratic impediments which contribute to delays, by putting the programming on a multiyear basis and by setting a deadline for the signing of agreements. The time of harvest in the recipient country must be a primary consideration when scheduling food shipments, and specific provisions in the legislation protect local farm production.

Preventing foreign agents from abusing Public Law 480 shipping provisions.—Currently, agents are retained by recipient countries to arrange for shipment of Public Law 480 commodities. Press reports and government investigations have uncovered potential conflicts of interest that involve payment to these agents of up to a 2.5 percent commission on all shipping costs. As far back as 1985 a General Accounting Office (GAO) report stated that the United States should not rely on country agents. This legislation requires USDA either to serve as the agent itself or to allow the recipient country to purchase agricultural commodities on a cost and freight basis.

Background

Public Law 480, the Food for Peace Program, began in 1954 as a means of providing food to the world's hungry, disposing of surplus U.S. agricultural commodities, supporting U.S. foreign policy, and promoting economic development in recipient countries.

For all its good intentions, Public Law 480 has become mired in bureaucratic red tape and hindered by ill-defined and frequently conflicting goals. The Inspector General's office of the Agency for International Development (AID) stated the problem succinctly in a

recent report: "We believe the law is obsolete, complicated, and confusing and that more realistic, achievable goals could be established."

Over the past 22 months, the Committee has consulted extensively with operational experts in the field, commodity groups, academics, other private sector officials, the Administration and church and hunger groups to improve the operation of Public Law 480 in this legislation. Very early in this process, it became evident that mere tinkering with this 1950s program would not be sufficient to deal with its fundamental defects. For this reason the Committee decided that it was time for the first major overhaul of the law in 25 years—time to restructure our entire Food for Peace effort so that it will work efficiently into the next century.

Purpose and Need

Cleaning up the bureaucratic morass

If any message regarding the Public Law 480 program came through loud and clear to the Committee it was the wide ranging expressions of concern from both inside and outside the Administration that bureaucratic procedures and delays have seriously and adversely affected U.S. food aid programs. This frustration has been focused on the Food Aid Subcommittee of the Development Coordination Committee (DCC). The DCC is an interagency group comprised of USDA, AID, State, Treasury, OMB and occasionally the National Security Council (NSC). The DCC meets weekly to discuss Public Law 480 and is chaired by USDA when considering title I and by AID when considering title II.

No one is in charge

A key element of the DCC's institutional behavior is the fact that it operates by consensus, which muddles focus, effectiveness and accountability. When something goes wrong or there is criticism, a quick round of bureaucratic finger pointing follows. Someone else is always responsible. The requirement for 100 percent consensus on every decision before the DCC results in substantial delays. Even minor food aid program details are endlessly debated. Program quality suffers and innovation loses out as consensus forces compromise to keep programs moving. Programs can be held hostage by one DCC member until support is "generated" for that member's favorite program. The DCC process discourages orderly planning and timely execution and leads to misunderstandings with recipient governments. In sum, there has to be a better system than weekly meetings of a multiagency group where frequently more than 20 people are in attendance, haggling over individual country program details.

Fixing responsibility

Just as an employee can not work well with five bosses, Public Law 480 does not work well with five agencies overseeing its operational decisions. Agencies which have authority over the program need to be held accountable. There is a great need to target and streamline the program, to make sure that precious tax dollars are not sapped by bureaucratic infighting.

The bill streamlines the food aid bureaucracy. It makes specific government agencies responsible. It puts someone in charge of each program element. Authorities are clear and unambiguous. AID will be in charge of grant programs for the least developed countries, and USDA will be in charge of the market development credit sales program. By providing clear authority to AID and USDA the Committee expects them to exhibit a "take charge" attitude. It should be noted that placing a particular agency in charge is not intended to affect existing lines of authority, such as that running from the President through the State Department to AID.

Fundamental flaws need correction

While it is easy to focus on the Rube Goldberg mechanism that is the DCC, it would be a mistake to believe that merely changing the mechanism itself will correct the problems with U.S. food aid. After sorting through the multiple facets of these problems, the Committee concluded that an integrated package of basic reforms was required. The Committee realized that only by addressing these problems as a comprehensive package could it get at the heart of the problem. A bureaucratic reform package must include not only the streamlining mentioned above but the following elements as well:

—Establishment of a cohesive policy framework;
—Requirement for multiyear programming; and
—Streamlining of the docket procedures.

Muddled policies; muddled programs

Public Law 480 is currently laced with numerous policy prescriptions, many of them conflicting. No effort is made in law to sort out policy objectives by types of programs or recipients. Efforts to meet all policy objectives often ensures that none are met effectively and efficiently.

One policy objective in current law is "to promote . . . the foreign policy of the United States. . . ." Without any context as to what broader policy concerns relating to hunger and international development are in the U.S. interest, this provision has been used to justify a variety of politically inspired programs designed to assist friends of the moment. Egypt and El Salvador are two countries receiving large amounts of food aid per capita under the "foreign policy" rubric. Another example is that of a sub-Saharan African country which was provided Public Law 480 commodities solely as a reward for hosting diplomatic talks. Relative need, or effective use of the food aid, rank low in these equations.

Almost invariably, when Public Law 480 gets bad press it is a result of its being used as a political tool. The saturation of Honduras with food to the detriment of local farmers, the flood of U.S. non-fat dry milk into El Salvador resulting in a collapse of local dairy prices and, low priced U.S. flour, baked into bread and being fed to donkeys in Egypt, are all examples of press reports on the abuses in politically inspired programs. This practice undermines the overall objective of portraying the U.S. as a humanitarian, caring nation.

A coherent policy for food aid

Recognizing that effective food aid programs must be based on a clear policy framework, the Committee bill proposes a policy statement with a theme of enhancing the food security of the developing world. "Food security" is a cohesive theme that brings together not only the need for food ("combatting hunger and malnutrition") but the need to address the causes of these problems through broad-based and sustainable economic development (which is essential to providing access to food through increased employment and incomes). The concept of food security rejects the outdated concept of "food self-sufficiency" whereby countries would try to produce everything they eat. Instead it focuses on access to food, which includes the ability to earn sufficient foreign exchange to import food. Thus, the concept of food security includes a recognition of the importance of trade and trade development. In addition, private enterprise development and democratic participation each fit into the food security policy framework.

The Committee has rejected the formulation in current law wherein foreign policy is a stand alone objective, undefined and unrelated to normal food aid objectives. Nevertheless, the Committee recognizes that the food aid program is a vital part of U.S. foreign policy and has specified the food security theme as the framework for implementation of U.S. foreign policy in the food aid arena.

The multiyear failure

While food aid allocations remain remarkably stable from one year to the next (70–75 percent of country allocations remain largely unchanged from year to year), title I allocations are still handled in the DCC on a year-to-year basis. Other foreign assistance programs are based on multiyear programming, always, of course, subject to the availability of funds. Indeed it is difficult to imagine the administration of these other foreign aid programs without multiyear programming. The administrative burden and taxpayer cost involved in repeated, annual approvals of programs running over several years is substantial. Yet this is how the food aid program is being run today.

Not only does use of annual versus multiyear programming geometrically increase the bureaucratic interventions—and the delays—but it builds in other inefficiencies as well. Even if recipients in fact get similar allocations on a year to year basis, if there is no multiyear U.S. commitment they are unlikely to make any long term policy reform commitments. Furthermore, the annual negotiation of separate title I agreements, each with separate self-help measures, results in numerous delays and obstacles to a smooth shipment schedule, and is a prime example of the problems generated by the insistence on annual programming.

Title II now contains a specific provision that encourages the use of multiyear agreements. It further provides that in carrying out multiyear agreements, private voluntary organizations ("PVOs") or cooperatives "shall not be required to obtain annual approval" of multiyear programs. The PVOs have advised the Committee, however, that in spite of this provision their multiyear programs are still subject to intensive annual reviews.

Multiyear programming mandated

In order to ensure that multiyear programming will be an integral part of the food aid process, the Committee has mandated its use under title I and title II. The Committee will keep a close eye on the programming process to assure that multiyear programming is in fact used in titles I and II and that routine annual programming does not creep in the back door as it now does in title II.

Recognizing that there will be occasions when providing multiyear assistance may not be appropriate, the Committee has provided discretionary authority to waive this requirement. The Committee expects that this waiver authority will be used sparingly and with integrity.

Streamlining the "Docket"

An important aspect of the Public Law 480 program is the Secretary of Agriculture's determination of which commodities may be made available for distribution to foreign countries. The Secretary is responsible for ensuring an adequate food supply in the United States and in this role must weigh, and give priority to, domestic needs and availabilities. The Committee recognizes the importance of this role, and has protected it in this legislation.

At the same time, the Committee has made basic improvements in the functioning of the process of commodity availability determination (commonly referred to as the "docket"). It is important to recognize that the problems of commodity availability stem from how the docket is used in the program, not with the concept itself. Indeed, this seemingly innocuous bureaucratic procedure turns out to be one of the main constraints to effective operation of the Public Law 480 program.

If the determination of commodity availability were made only once, in a timely fashion prior to the beginning of the fiscal year, and was a reliable figure on which PVO's and recipient countries could rely, it would serve its purpose well. Unfortunately, the docket now achieves just the opposite result: uncertainty, delays in programming and signing agreements, delays in shipping commodities and excessive interagency staff time spent debating whether or not certain commodities are available. DCC participants frequently do not know from week to week whether a commodity is available.

For fiscal year 1990, instead of setting a realistic availability figure for wheat and sticking with it, USDA has been reviewing availabilities at least monthly, holding many country programs in limbo. In April, after a number of DCC meetings on Nicaragua, 35,000 tons of wheat were cut from the proposed country program, as USDA maintained that wheat was not available. At a time when President-elect Chamorro was pleading for the help which had been promised by President Bush, the one thing we could move quickly—food—was frustrated by the docket. Yet several weeks after insisting that the Nicaragua program be cut, USDA advised that it was adding 500,000 tons of wheat to the docket. And when the formal docket finding was finally issued, 800,000 tons of wheat were added.

Similarly, Sri Lanka was told in April 1990—only weeks before USDA came up with 800,000 tons of additional wheat—that no additional wheat was available.

According to a 1990 AID report on title II PVO monetization programs, "uncertainty about commodity availability pervades the PVO monetization program." PVO feeding programs suffer as well. According to the Government Accounting Office, the Catholic Relief Service (CRS) received approval in January 1989 for pinto beans for a feeding program in Burkina Fasso. In March 1989 this decision was reversed and CRS was advised that they would have to use lentils in place of beans. CRS officials were concerned since lentils were not accepted immediately by recipients because it was a new and unfamiliar food. The question has to be asked: are 260 tons of pinto beans so critical to the U.S. national food supply that a U.S. PVO feeding program has to be forced to take a substitute commodity of dubious acceptability and thereby jeopardize the objective of the program?

Acceptability of U.S. food aid can have serious consequences. In March 1990 USDA determined that the World Food Program (WFP) would have to take whole green peas in lieu of the requested red beans for a refugee feeding program in Honduras. WFP officials noted that red beans, along with maize tortillas, are the main staple in the Honduras refugee camps, and they warned that a similar commodity switch in 1988 resulted in rioting and serious injuries.

Examples abound. This pattern of pervasive uncertainty, delay and commodity switching portrays the U.S. as an unreliable supplier. The program should demonstrate reliability and predictability to the developing world, which is the most promising area for growth in U.S exports of agricultural products in the years to come.

The relative unimportance of Publc Law 480 quantities compared to total U.S. exports and to total U.S. agricultural production does not warrant the extensive discussion of commodity availability that takes place in the DCC. It is important to note that while in 1960 food aid was over 21 percent of U.S. agricultural exports, by 1989 it was only 3.4 percent. This is a 1990 program still living in the 1950s.

In order to simplify the commodity availability process the Committee has made several significant changes to section 401 of Public Law 480. The basic thrust of these changes is that the commodity availability determination should normally be made just once per year, with an option available to remove commodities from the list during the year only if the Secretary determines that the commodity is in short supply.

Specifically, the Committee has mandated that the docket determination of commodity availability be made prior to the beginning of the fiscal year, to avoid the delays which occur when the docket is not announced until after the fiscal year has already begun. This latter practice reduces the time available for reaching agreement with recipient countries and thus compresses the time available for concluding title I agreements and shipping commodities.

In the unusual case where a particular commodity is in short supply during the fiscal year, the Committee has provided a mecha-

nism whereby the Secretary may "suspend" the commodity from the docket or limit the quantity of the commodity that will be available for Public Law 480. The Committee intends that this option be exercised only if there is a significant and unexpected change in the U.S. national supply situation. The Committee does not believe that more than one docket determination should normally be necessary, and therefore stresses that it intends that this suspension mechanism be used very sparingly.

To underscore the Committee's intent that the docket not result in the micromanagement of the program, it has deleted the provision in current law requiring a commodity determination "at the time of exportation" of the commodity. The Committee agrees that the Secretary must maintain the authority to ensure that the disposition of commodities under Public Law 480 does not reduce domestic supplies below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, but as noted above does not intend that this authority be exercised every time a commodity is exported.

Given the fact that the amount of Public Law 480 commodities is now a tiny portion of total domestic production and a very small part of U.S. agricultural exports, there is no need to make availability determinations so frequently. A multitude of docket determinations only slows down the program and can serve as a vehicle for reopening DCC debate on issues once thought settled.

In the bill the Committee has also added a new provision that "the President should attempt to maintain a stable level of available agricultural commodities . . . of the kind and type needed to provide food assistance to developing countries and should attempt to make such commodities available to the degree necessary to fulfill multiyear agreements. . . ." This is designed to reduce substantially the uncertainties regarding commodity availability and to ensure that the commodities provided are suitable for the country and the designated purpose.

A restructured title I

In order to provide a structure with clear lines of authority and that reflects the new policy thrust, the revised title I of Public Law 480 establishes a grant program for the donation of commodities to the neediest countries and for concessional financing of the sale of commodities to developing countries that, though short of foreign exchange, have the potential to repay and to become viable commercial markets for U.S. agriculture.

Grant program

In establishing a new grant program, the legislation provides that food donations would be directed only to the poorest food deficit countries. To be eligible for grants of food under title I, countries would have to meet the poverty criteria established in the International Bank for Reconstruction and Development Civil Works Preference list (less than $545 per capita gross national product), or would have to be a food deficit country (measured by per capita calorie consumption of less than 2300 and an under 5 child mortality rate (U5MR) in excess of 100 per 1000 births). In choosing among eligible countries the Administrator is required to

give priority to countries that (1) demonstrate the greatest need for food; (2) demonstrate the capacity to use food assistance effectively; and (3) are willing to adopt policies to promote food security. Food donations under this provision could be made through the World Food Program for use in countries otherwise eligible for grants.

The Committee added the food deficit criteria to the per capita GNP criterion because the latter frequently does not address the fact that some of the worst pockets of poverty (and the worst cases of malnutrition) may be in countries just above the cutoff point of $545 per capita GNP. The per capita calorie consumption figure of 2300 is the minimum average daily figure to ensure adequate nutrition as estimated by the United Nations Food and Agriculture Organization. The U5MR concept was chosen after discussion with nutritionists involved in international development. They indicate that deaths under 1 year of age (the so-called infant mortality ratio—(IMR)) are due mostly to health reasons, whereas deaths under 5 years are much more related to nutritional deficiencies. Therefore, in their view, the U5MR criteria is a much better indicator of food security than is the IMR. The Committee notes that when the numbers in either criteria exceed 80 they become less accurate. But many statistics describing third world development are soft. The important point is that these figures still give a good relative notion of particular problems, in this case of relative food security or insecurity among developing countries.

The Committee urges the Administrator of AID in selecting countries for the grant program to give strong weight to countries which have a long term plan for broad-based, equitable, sustainable, and participatory development.

The authority for the grant program is given directly to the AID Administrator, who would determine which countries would be recipients of grant assistance, the needs of those countries and what commodities could best fulfill those needs. This determination would be subject to the Secretary of Agriculture's decision on commodity availability.

The legislation provides that all title I grant food aid agreements must be signed before November 30 of the fiscal year during which the food is to be delivered.

The legislation completely revises the economic development criteria required in title I grant agreements by injecting much needed flexibility into the decisionmaking process. A range of options would be available to the AID Administrator when negotiating food donation agreements:

—The Administrator may donate the commodities and use the local currencies generated from the sale of the food for mutually agreed development purposes in the recipient country. The commodities could be shipped either before or after the U.S. and host country jointly agree on the specific development uses of the local currency. Local currencies are required to be deposited in a special account, except in cases where such a special account is illegal in the recipient country.

—The Administrator may choose to donate the commodity to the recipient country in return for policy change and decide not to program the local currency. This approach could be used to reduce the administrative burden on AID and the host country

of managing and tracking local currency accounts, particularly in countries with weak infrastructure and management capabilities. Policy changes could be implemented through budgetary allocations by the recipient country.

—The Administrator may also choose simply to donate the commodity to the recipient country without requiring policy change or local currency programming or could use some combination of these various options. This last option is included to provide maximum flexibility to the Administrator, but the Committee expects that it would only be used rarely and with fully adequate justification.

Preventing malnutrition

A major purpose of the U.S. food aid program should be to prevent malnutrition, which now afflicts at least 350 million people in the world, 150 million of which are children. AID should make every effort to ensure that preventing malnutrition is a high priority in the Public Law 480 programming process, that programs to do so are as well designed as possible and that the requisite analytical skills are applied to achieve these ends. For example, the Public Law 480 program seems to be operating independently of AID's nutrition program and staff. The programming process should involve the AID nutrition staff and should ensure that at the country level there is an adequate data base and trained personnel to identify the extent and location of malnutrition. The Committee does not intend to prejudge the question of the effectiveness of the Public Law 480 program in addressing malnutrition, but does intend to signal its concern and call on AID to examine the adequacy of its policy analysis and programming strategy in this regard.

Uses of local currencies

The Administrator is authorized to use (or agree on the use of) local currencies generated under the grant program for a wide range of economic development activities in the recipient country. These uses include: promotion of policy reform; establishment of projects that promote food security; alleviation of hunger and improvement of nutrition; promotion of increased access to food through policies and programs designed to increase employment and incomes; promotion of free and open markets; supporting U.S. PVOs and cooperatives and indigenous non-governmental organizations; purchasing of agricultural commodities produced in the country to meet relief requirements in the country or in neighboring countries or to develop food reserves; paying of farmer-to-farmer program costs; and promotion of private sector development activities. In setting out these broad categories of possible activities, the Committee has provided the AID Administrator with wide discretion to respond to diverse country development priorities, undertaking any activities which fall under the category of economic development. This would include a multitude of activities, including those which promote the development of rural infrastructure designed to improve food security, such as food for work projects, or road, irrigation and electrification projects.

Support for indigenous non-governmental organizations (NGOs)

The Committee determined that indigenous NGOs are important mechanisms in establishing sound economic development programs. Accordingly the bill provides that, to the extent practicable, not less than 10 percent of local currencies contained in a special account established for a recipient country shall be used to support the development and utilization of such organizations that are active in rural development, sustainable agricultural production and environmental protection projects in the country. The Committee is aware that there are some countries in which indigenous NGOs may not be adequately developed. In such cases these funds can be used to develop the institutional capacity of NGOs to function as development organizations. Funds may also be used to establish foundations to provide longer term support to NGOs. The Administrator is encouraged to give priority to those organizations that work with the rural or urban poor and have demonstrated effectiveness in, or commitment to, the promotion of grass-roots activities on behalf of long-term development that is equitable and environmentally sustainable. The Administrator should, of course, be sensitive to situations in which availability of a large amount of resources could distort the priorities of smaller NGOs. He should also be sensitive to the fact that imposition of overly strict standards of accountability could overwhelm these small organizations.

Market development program

While market development has always been a goal of Public Law 480, the bureaucratic problems and other, conflicting, goals have frequently hindered market development activities. A clear line of authority to USDA to run this program has been provided in the legislation to clear up this problem.

This concessional credit sales program would focus on those developing countries that are short of foreign exchange but have the potential to become commercial agricultural markets. The Secretary of Agriculture would select the countries and coordinate these market development efforts with the export promotion programs carried out by the Department of Agriculture.

Terms of concessional sales

The legislation establishes a repayment period between 10 and 20 years, a grace period of up to seven years and an interest rate of not to exceed 4 percent. While this program is market development-oriented, it has to be recognized that the recipients are developing countries that are short of foreign exchange. The use of the words "concessional rate of interest" are specifically intended to ensure that interest rates set by the Secretary, in combination with other loan terms, provide a level of concessionality sufficient to meet the definition of Official Development Assistance (ODA) of the Organization for Economic Cooperation and Development. The Secretary has been given substantial discretion in setting the degree of concessionality, depending on the capability of the recipient country to repay. These provisions would permit, should the Secretary so choose, loans that are equally concessionary as those under current law. They would also give the Secretary adequate

flexibility to meet any future change in the definition of ODA that might increase the minimum grant element. The legislation does not authorize an initial down payment or a currency use payment (the CUP). Both of these mechanisms, permitted under current law, serve to reduce the concessionality of loans. By eliminating these requirements concessionality is increased, thereby offsetting the shorter terms of the loan agreements.

Acquisition and shipping of commodities

In fiscal year 1989 all but two countries used country agents for procurement of ocean transportation. Country agents received a commission of 2½ percent of all the freight costs on U.S. flag ships. This commission is shared with ship brokers if they are used. Press reports and government investigations have uncovered cases of potential conflict of interest involving these commission payments.

Committee staff met with representatives of the U.S. government, including the AID Inspector General and a representative of the USDA Inspector General's Office, country agents, and ship brokers, as did representatives of the GAO who were working with the Committee. As was stated in GAO testimony before the Committee, these groups have expressed concerns about "improprieties relating to country agent operations. These concerns include the possibility of questionable payments and the potential for country agents to structure transportation tenders to favor particular ship owners. . . . These specifications can affect competition. . . . Unnecessarily restrictive vessel length and depth limits in the tender can affect the extent of competition or the rates offered by competing vessels." According to GAO "several ship owners, country agents, and government officials stated that if USDA better controlled the process, the potential for program abuse would be reduced." A USDA official told GAO that having the government fulfill the role of the country agent may enhance the program's image and provide greater control over shipping operations. GAO advised the Committee that this proposal "deserves further attention. . . ." The GAO recommended that "if the proposal can reduce program costs and at the same time reduce the perceived vulnerability of the program to irregularities, it should be implemented."

While under current practice country agents are not permitted to be ship brokers for transactions with that country, they often act as ship brokers for other Public Law 480 transactions in different countries. This has the potential for a conflict of interest. Similarly, the potential for kickbacks of agents' commissions is very real. The Committee does not have an investigative capability to inquire into all the allegations of kickbacks and conflicts of interest. Whether these practices are as widespread as the allegations would make it appear is not within the Committee's capacity to determine. However, the Committee intends to ensure that the Public Law 480 program is structured in a way to insure that the potential for malfeasance is avoided as much as possible. This is a ticking time bomb which cannot be ignored.

Under section 107(c)(2) of the legislation the recipient country will be responsible for acquisition of commodities furnished under the concessional sales program. Agents may not be used by recipi-

ent countries for acquisition or shipping of commodities. Only the Secretary of Agriculture, the Commodity Credit Corporation or AID may serve as the purchasing or shipping agent or both for the importing country under title I grant and market development programs. The recipient country may, of course, engage consultants or hire employees for the purpose of advising it on the acquisition or shipping of Public Law 480 commodities.

The Secretary of Agriculture, the CCC or AID may negotiate with the recipient country to receive fees for services provided as purchasing or shipping agent, in recognition of the additional staffing that will be required. Under section 110(d), in order to avoid conflicts, freight agents hired by USDA or AID under Public Law 480 may not represent any supplier of commodities, freight or ancillary services or any foreign government.

As an alternative to having separate transactions for the procurement of the commodity and the ocean freight, section 112(b) authorizes CCC to (1) make commodities available under the grant program to recipient countries on a cost and freight (c&f) basis and (2) arrange for sales of commodities financed under section 107 to be made on a c&f basis. Combining the commodity and ocean freight procurements would result in substantial efficiencies. However, the Committee is aware of the concerns that widespread use of c&f could have an adverse effect on smaller exporters who would find it difficult to compete with the major grain exporters. Accordingly the Committee directs that, prior to the exercise of this authority, USDA undertake a study of the effect that the c&f procedure would have on competitiveness, with specific reference to the ability of small businesses to compete under the Public Law 480 program. The study should also examine the potential for cost savings using c&f procedures, and it should examine the option of subjecting only a portion of the title I program to c&f procedures as a means of preserving the competitiveness of small businesses.

Cargo Preference Requirements

None of the revisions to Public Law 480 contained in this legislation are intended to modify, alter or reduce the 75 percent U.S. flag shipping requirement provided for under current law.

Under present law the President is authorized to negotiate and carry out agreements with friendly countries providing for the sale of agricultural commodities on credit terms. (7 U.S.C. section 1701). By Executive order the President has delegated that authority to the Secretary of Agriculture (Exec. Order No. 12,220, 45 Fed. Reg. 44, 245 (June 27, 1980), 7 U.S.C. section 1691 note). The bill provides that the President will act through the Secretary of Agriculture to carry out these concessionary sales programs and that the President will act through the Administrator of AID to arrange for grants of commodities. The bill also provides that the Commodity Credit Corporation will furnish to AID cargoes for the grant program. Regardless of the delegation of some authority to AID, all cargoes furnished pursuant to Title I will continue to constitute an "export activity of the Commodity Credit Corporation" subject to the 75 percent U.S. flag requirement of 46 U.S.C. App. section 1241f.

Repayment in local currencies

While it is expected that most repayments under the market development program will be in dollars, new section 108(a)(2) gives the Secretary the authority to accept repayment in local currency in order to undertake activities authorized under section 109. These uses are primarily for trade development, agricultural business development loans (similar to the old "Cooley loans"), trade promotion and private sector agricultural trade development. The Secretary may authorize the Overseas Private Investment Corporation to undertake these activities with local currency repayments. Also included is agricultural research, including research mutually beneficial to the U.S. and the recipient country. Support for research includes support for agricultural higher education institutions in the recipient country through collaboration with U.S. state universities and land-grant colleges and other institutions of higher learning. Also authorized are use of local currencies to pay for U.S. obligations, such as embassy expenses, formerly covered under currency use payments (CUP). Only this last use would require a prior appropriation. To the extent that local currencies used for the purposes of section 109 generate principle and interest repayments, these repayments may then be used for any of the activities specified in section 109(b).

Title II

Title II remains fundamentally the same as current law, with a few specific revisions, as described below.

Bilateral non-emergency grant assistance

Bilateral non-emergency grant assistance, authorized under section 206 of current law, has been deleted from title II and moved to the new grant program under title I.

Funds for PVOs and cooperatives

The legislation provides that 2 percent of title II funds (about $13.5 million at the current appropriation level) are to be provided to PVOs and cooperatives to expand existing and establish new title II programs and to meet administrative, management, personnel and internal transportation and distribution costs. The Committee uses a percentage to establish the spending level in order to provide flexibility in case of increased title II appropriations—due either to inflation or larger programs.

The costs of food aid programs in the poorest countries (with inadequate infrastructure) are driving out many PVO's. Meeting U.S. government accountability requirements in Africa, particularly in the difficult circumstances of sub-Saharan Africa, is quite costly. GAO found that total food aid tonnage for Africa dropped 10 percent during the period 1986-89, and that the percentage of food for supplementary feeding programs decreased sharply during the same period. While not passing judgement on the 2 percent figure, GAO stated: "[i]t seems reasonable that a more reliable source of dollar funding for PVOs would help make Title II programs more effective."

Those overseas food programs that are at risk because of rising costs are important elements of the U.S. food security strategy for developing countries. The Committee has determined that a small investment of Public Law 480 funds can provide large dividends in maintaining and expanding these key programs. The Committee intends these funds to be used to support innovative programs with emphasis on countries suffering from acute long-term food shortages, particularly in sub-Saharan Africa. Costs to be funded would include transportation, storage, program design and implementation, managerial costs designed to assure that food is not lost or misused, and provision of the administrators, technical experts and accountants needed to meet U.S. government legal and financial accountability standards.

Food Aid Consultative Group

A Food Aid Consultative Group is established to improve communication between AID and PVOs and cooperatives. The Group will review implementation of title II and effectiveness of regulations and procedures governing title II programs. The membership will consist of AID, the AID Inspector General, USDA, PVOs and cooperatives implementing title II programs, and regional representatives of indigenous non-governmental organizations (NGO's). The Group is designed to provide an institutionalized setting in which AID and PVO concerns can be aired on a regular basis.

The Committee has determined that one of the most pressing issues to confront the Group is the level of accountability that should be expected of PVOs and cooperatives in difficult Third World environments. Accountability issues are raised with increasing frequency and the costs of meeting these requirements can influence PVO decisions to continue or abandon feeding programs. The presence of the AID Inspector General on the Group will serve to open an important—and direct—dialogue on this issue.

Another important issue confronting the Group is how to reverse the decline in PVO feeding programs in sub-Saharan Africa.

While the Group would permit significant communication between the PVOs and AID, it is not intended that it would be the PVO's only channel to AID.

Minimum tonnages

In the context of the increasing general need for food aid the Committee has determined substantial additions are needed to the minimum tonnage figures now in title II for emergency and non-emergency programs. Budget limits likely will prevent making these additions. The Committee intends to provide a modest increase of 25,000 metric tons per year (on a cumulative basis) to the overall minimum tonnage and non-emergency minimum tonnage figures.

This increase would permit some increases in non-emergency programming through PVOs and cooperatives, particularly those that have recently started to develop title II programs, or those that use the funds made available to PVOs and cooperatives under section 202(f) to start new programs, particularly in sub-Saharan Africa.

The difference between the title II minimum tonnage and the non-emergency minimum tonnage, known as the "unallocated reserve", is maintained at the same level (475,000 metric tons), assuring that a steady supply of commodities is available for emergencies or other unanticipated program needs. This unallocated reserve is very important, as emergency food aid needs around the world show no signs of abating.

The current level of the unallocated reserve can not meet all emergencies; over the past few years the U.S. has been shipping approximately 700,000 metric tons of food overseas annually for emergencies. In the past much of the emergency food aid has come from commodities available under section 416(b) of the Agricultural Act of 1949. With the marked decrease in the availability of section 416 commodities, the overall availability of commodities for emergency (and non-emergency) purposes will inevitably suffer. Currently, sorghum and some corn are available under section 416, but these are not considered edible commodities in many countries. Ethiopia, for instance, needs wheat or wheat products, yet wheat is not available under section 416. Thus, section 416 frequently cannot be used to meet current emergency needs. In addition, the Office of Management and Budget has placed a worldwide limit of $50 million on expenditures for ocean transportation for section 416 programs. This cap has already been reached for fiscal year 1990, further limiting the ability of the section 416 program to meet emergencies.

The Committee intends to monitor closely the availability of commodities for emergency situations as they arise.

Farmer-to-Farmer Program

The authorities for the farmer-to-farmer program, now in section 406 of Public Law 480 and section 1107 of the Food Security Act of 1985 have been combined into one section in title II. The authority has been expanded to permit operations in middle-income countries and countries with emerging democracies, as well as in developing countries. One-tenth of one percent of the funds available for Public Law 480 is made available for farmer-to-farmer operations in developing countries. Funds for operations in the middle-income countries and emerging democracies must be appropriated.

Title III—Food for Freedom

The existing Public Law 480 title III food for development program is eliminated and a new title III provides for a new program called Food for Freedom, to be operated using CCC authorities. This program is a substantially expanded version of the Food for Progress program, which will expire in 1990. The program is broadened to include developing democracies and provides the President with additional flexibility, funds and authority to assist countries that are turning toward democracy or are instituting positive market-oriented reforms into their economies. A cap of $50 million (exclusive of the cost of commodities) on use of CCC funds is established, which may be exceeded if such excess is authorized in advance by appropriations acts.

Private Markets Enhancement Program

Title III also includes a provision encouraging the development of private sector markets in countries receiving Food for Freedom. While U.S. rhetoric encourages private sector development, the fact is that virtually all current Public Law 480 title I and section 416 programs are provided to other countries on a government-to-government basis. This practice serves to reinforce state monopolies and state control of agricultural imports and transportation and distribution systems.

The Private Markets Enhancement Program authorizes a minimum of $20 million of CCC funds, which would be used by U.S. private entities (such as private agribusiness organizations, cooperatives and PVOs) in recipient countries for programs to develop a competitive private sector in the areas of importation, storage, transportation, marketing and distribution of agricultural commodities. These programs would be undertaken in conjunction with specific commodity transactions under Food for Freedom. In addition, the local currencies generated from sale of the commodities provided under these transactions, rather than being controlled by state entities, would be provided to the U.S. private entities using the Private Markets Enhancement dollar funding.

This new program is particularly important for Eastern European countries which are turning away from communist "command economic systems" in which production, inputs and marketing have been controlled by the state. Here, too, food shipments continue to be shipped through governmental or parastatal organizations. This new authority will facilitate assistance in developing a competitive private sector in these areas.

Funding for this new program uses the model of the Targeted Export Assistance program (TEA) which provides commodity certificates for drawdowns on U.S. surplus commodities which can be sold to U.S. exporters. Thus, program dollar costs will have been paid for when the CCC purchases surplus commodities.

Title IV

Title IV continues general provisions governing the operation of these programs, such as the Bellmon amendment and CCC authorities. The advisory committee on Public Law 480, which, the Committee is told, has never met, is abolished.

Commodity determinations

See discussion of the docket, above.

Use of private trade channels.

Section 402(d) continues a provision in existing law exhorting the use of private trade channels to the maximum extent practicable. As is discussed above under "Private Markets Enhancement Program" the Committee is concerned that recipient country public sector entities, which handle almost all U.S. food aid, are becoming increasingly entrenched at a time when we should be encouraging the development of competitive private sectors. If the food aid transaction is not being run through the private sector, and no effort is being made by AID or USDA to encourage development of

a competitive private sector, then the U.S. is helping to maintain public sector dominance. The Committee intends that AID and USDA take this issue seriously.

Military distribution of food aid

New subsection 402(i) attempts to deal with problems that have arisen in connection with the provision of U.S. food assistance in the past: discriminatory distribution of food aid commodities; military manipulation of the commodities; and poor integration of emergency food aid with relief, rehabilitation and recovery efforts in cases of protracted warfare or civil strife. These provisions safeguard against the politicization of food assistance and to enhance its effectiveness.

The Committee has received reports of military forces in Public Law 480 recipient countries using food aid commodities as a weapon in ongoing conflicts, and of distribution of these commodities in a politically discriminatory manner, rather than on the basis of objective food needs. This subsection seeks to eliminate such abuses, and limits military handling of food to dire emergencies where there are no other means to reach people at risk of starvation.

Food assistance may not be used for the forced relocation of civilian population, or to coerce, reward, or punish political activities or affiliation. Such assistance may be used only for civilian programs and projects that are independent of military operations except in the dire emergencies outlined above.

The Administrator of AID must provide the Congress with a report within 30 days after authorizing emergency military handling of food aid, and must include both the extent of the military involvement as well as a detailed explanation as to why this was the only channel for distributing the assistance.

In addition, the subsection requires the Administrator, to the extent feasible, to encourage parties to a conflict to allow the safe passage of emergency food assistance and other relief supplies. It further requires the Administrator to encourage the parties to permit the creation of safe zones in which medical and humanitarian treatment and evacuation activities can occur. These activities include the treatment and, if necessary, evacuation of wounded, and the removal of casualties. The Committee also urges the administration, to the extent practicable, to support and encourage efforts to allow rehabilitation and reconstruction activities to reestablish local infrastructure.

The United States is providing increasing amounts of emergency food assistance to areas undergoing conflict (beyond such assistance to nations affected by natural disasters and adverse weather). The Committee believes that this new subsection is needed to ensure that U.S. assistance in cases of such human-created emergency conditions does not exacerbate the conflict, but rather contributes to the restoration of normal social and economic life.

Debt relief

The legislation contains a provision (section 403) designed to help relieve the excessive debt burdens that plague the poorest countries. It provides the President with authority to forgive CCC

Public Law 480 debt similar to that provided in section 572 of the Foreign Operations Appropriations Act for fiscal year 1990. Under this new section a country would be eligible for Public Law 480 debt relief if it meets the grant requirements under section 102(a) and has made a commitment to economic reform through an IMF standby agreement, a World Bank structural adjustment program, or an IMF structural adjustment facility or enhanced structural adjustment facility.

In order to provide debt relief the President must include a request therefor in his annual budget submission (or he must transmit it to Congress within three months of the budget submission). The Committee included the requirement for this request because it intends debt relief to be a joint effort between the administration and the Congress, particularly in determining the necessary funding allocations that would result from debt forgiveness. This section also provides that the debt forgiveness authority may be exercised only to such extent or in such amounts as are provided in advance in appropriation acts. No new food aid loans may be provided to countries receiving debt relief the two-year period dating from the start of the debt forgiveness agreement. This waiting period will give these fragile economies time to adjust before taking on new debt.

Evaluation

Every three years the Comptroller General is to select, with respect to the grant program, the concessional credit sales program and the title II program, five representative countries in each of the three geographic regions, and evaluate in those countries the uses of the commodities and of any local currency funds. The Comptroller General will report to the Congress on the evaluation.

Section 416(b)

Title IV also streamlines section 416(b) of the Agricultural Act of 1949 and ends a separate food aid authority in the Department of Agriculture that closely parallels the authority contained in title II of Public Law 480. Section 416(b) is amended to establish a mechanism through which the Secretary of Agriculture could provide surplus CCC-owned commodities to carry out programs of assistance under Public Law 480, titles I, II and III. The minimum amounts of commodities to be furnished contained in current law are retained, as is the requirement that commodities provided through section 416(b) should be subjected to expedited procedures.

Background

SUBTITLES B AND C—COMMERCIAL TRADE

Agricultural exports are of vital importance to the United States economy and the agricultural community. United States agricultural exports in 1989 totalled $39.7 billion dollars, equal to 147.8 million metric tons. These exports represent almost 20 percent of the value of all U.S. agricultural production.

Agriculture is one of the bright lights in an otherwise desolate balance of trade picture. The U.S. consistently maintains a positive

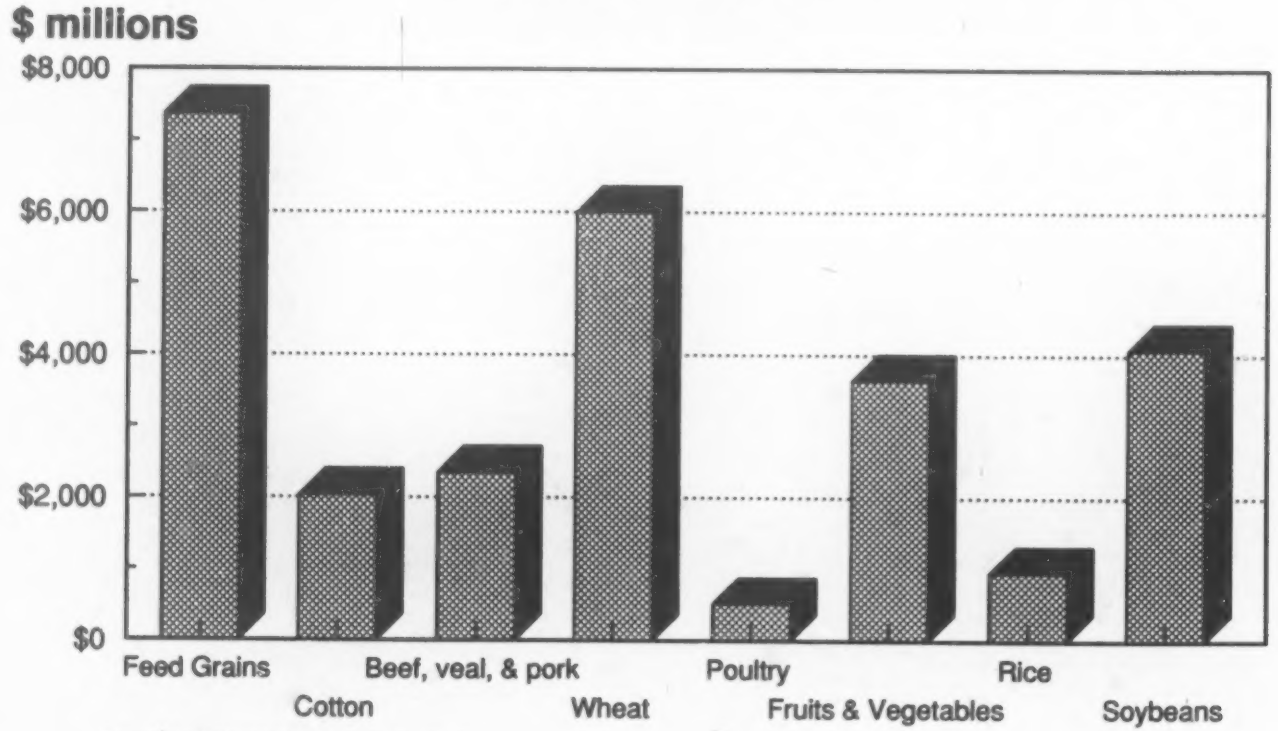
balance of trade in agriculture, with last year's surplus totalling $18 billion.

The U.S. is the largest single exporter of agricultural products in the world. Twelve States export enough agricultural goods to be counted in the ranks of the top 42 exporting countries.

The almost $40 billion in agricultural exports from the U.S. in 1989 included a broad range of bulk and high value agricultural commodities. The U.S. exported 35 million metric tons of wheat, 67 million metric tons of coarse grains, 14 million metric tons of soybeans, 6 million bales of cotton and 2.6 million metric tons of rice. U.S. exports of beef, veal, and pork were valued at $2.3 billion, with poultry exports at $531 million. Fruit and vegetable exports from the U.S. totalled $3.6 billion.

Value of Selected U.S. Exports

Fiscal Year 1989



Source: Agricultural Outlook, U.S. Dept. of Agriculture, May 1990.

Figure #1

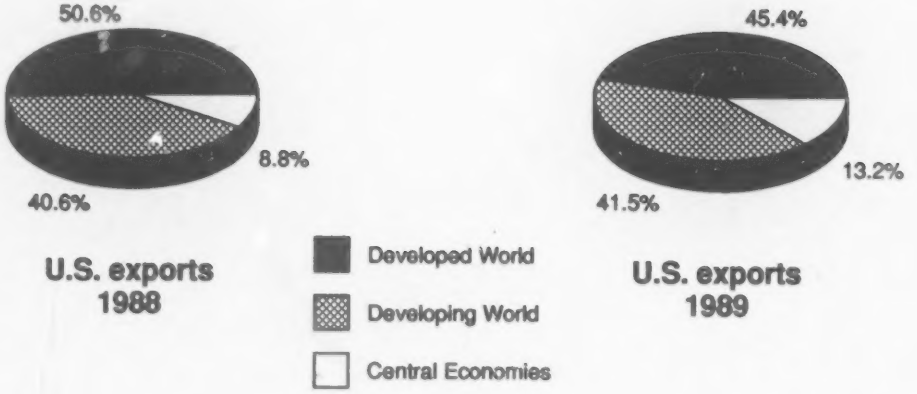
Japan was by far the largest single market for U.S. agricultural products in 1989, purchasing over $8 billion in agricultural goods. The U.S. sold $7 billion of agricultural products to Western Europe last year.

China and the Soviet Union are two of the fastest growing markets for U.S. agricultural products. Exports to China increased by 161 percent and 144 percent in 1988 and 1989, respectively. Recent oppressive political actions by the Chinese government, however, have threatened this market. The $1.5 billion in sales to China achieved in 1989 may be a high water mark for the near future. The Soviet Union is an increasingly important market for the U.S., with agricultural sales increasing to $3.3 billion in 1989, a 70 percent increase over 1988.

Although the most rapid percentage growth in U.S. exports is to the centrally planned economies, the largest increase in total value of sales has been to the developing world. From 1988 to 1989, U.S. exports to the developing world increased by over $2 billion.

United States Export Markets

Types of Economies



Source: Agricultural Outlook, U.S. Department of Agriculture, May 1990

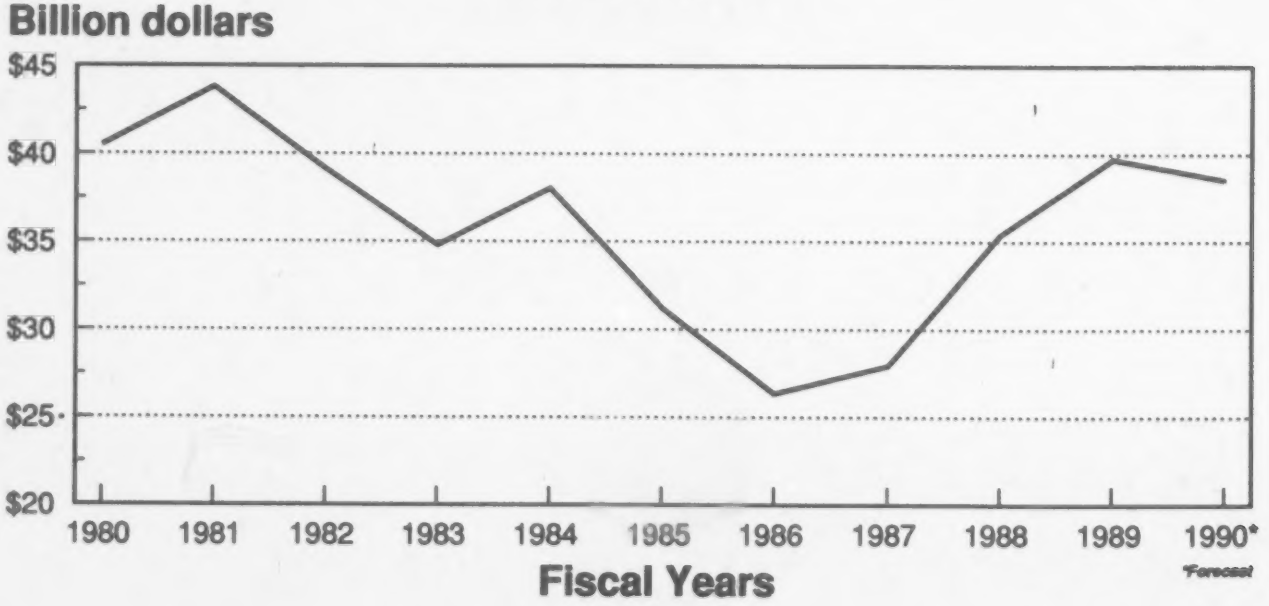
Figure #2

The past decade has seen two dramatic trends in U.S. agricultural trade. From a high point in 1981 of $43.78 billion, agricultural exports declined to a low of $26.33 billion in 1986. Since 1987, however, exports have rebounded to $39.7 million in 1989.

This huge swing in export fortunes is attributed to many factors, including domestic monetary policies, the level of debt service payments among developing countries, an increasing use of export subsidies by competitors, and domestic commodity programs.

U.S. Agricultural Exports

1980 – 1990



Source: U.S. Department of Agriculture, Outlook for U.S. Agricultural Exports, Feb. 1990.

Figure #3

The Food Security Act of 1985 and the Omnibus Trade Act of 1988 contained several programs designed to encourage the export of U.S. agricultural commodities and reverse the economically debilitating trend that had begun in 1982. By and large, these programs have significantly turned around the Nation's agricultural trade fortunes. This success, however, has come at a significant cost.

The export prices of U.S. agricultural commodities fell to their lowest levels in a decade during 1986. While export volume increased dramatically after 1986, the value of U.S. exports did not rise as quickly. Further, U.S. wheat exports have become increasingly dependent on export subsidies to maintain international market share.

The International Trade Playing Field

Potential Growth Markets

The Special Assistant to the President for Agricultural Trade and Food Assistance reviewed the expanding export markets for U.S. agriculture, including higher-value products, in his 1989 report to the President and Congress. According to this report, developing countries dominate the list of countries with the best prospects for increased exports of U.S. agricultural commodities. Of these developing, Asia is the predominant region where market growth is expected.

Within Asia, the countries of Taiwan, Republic of Korea, Hong Kong and Singapore, collectively known as Newly Industrialized Countries (NICs), are among the fastest growing economies in the world. These countries are also characterized by low debt loads, increasing populations, and low levels of self-sufficiency in food production. If market access barriers in Taiwan and Korea were lowered, U.S. agricultural exports to the NICs could surpass those to the European Community by the mid-1990's.

Other developing countries high on the list of market potential for U.S. agricultural exports include Egypt, Pakistan, Iraq, Turkey, Bangladesh and Morocco. These countries are major participants in U.S. agricultural export programs. The future growth of these markets, however, is largely dependent on the continued use of these programs.

Of the developed countries, Japan ranks highest in terms of potential growth for U.S. agricultural exports. Faced with an increasing population, relatively low self-sufficiency in food production and rising incomes, Japan will likely continue to be the world's largest agricultural importer, after the U.S. The Japanese market also has a growing preference for western-style foods which will increase the market for high value and value added products.

Italy and Spain provide the greatest opportunities for export growth in consumer-oriented foods and forestry products among developed countries other than Japan. The Soviet Union is a possible growth market for feed grains, butter, poultry, and oilseeds and meal. The Soviet market, however, is limited by a lack of hard currency and is undergoing significant economic and political changes. China was the biggest importer of U.S. wheat in the 1988/89 marketing year, as well as one of the largest wheat producers. Al-

though China faces a lower availability of foreign exchange, it will continue to import high levels of wheat.

Government Intervention

Government intervention in agriculture can have a significant effect on the international market for many agricultural commodities. Trade distortings policies have a direct effect on U.S. exports, and increase the difficulty for the U.S. to maintain market share.

Many countries support their domestic agriculture sectors through a combination of programs, including production subsidies, export subsidies, import restrictions and phytosanitary requirements. Developing countries may restrict trade to reflect their debt and population concerns. A sampling of existing government programs for agriculture follows.

The European Community (EC) has a comprehensive system of support and protection for agriculture, especially in the grain and livestock sectors. In 1988, the EC spend $31.2 billion on agricultural support through government purchases of domestic production at the intervention prices, maintaining internal commodity prices above the world market prices. To limit low-cost imports, the EC imposes variable levies to bring the price of imports up to internal threshold prices. Surplus domestic production is stored or exported with the aid of export refunds to meet the lower world market prices. The Committee is particularly concerned with the increase in export restitution payments on pork by the EC. These payments encourage European farmers to overproduce and buy their way into world markets by directly undercutting world pork prices.

Japanese agricultural policy is driven by strong domestic concerns for food security, agricultural productivity and rural living standards. Japan is self sufficient in rice production, although this status is gained by a virtual ban on imports of rice and domestic prices at five to seven times the world trading prices. Government assistance to rice producers exceeded $20 billion in 1989. Despite the restrictions on rice, Japan is the largest export market for U.S. agricultural commodities. In 1988, the Japanese government agreed to liberalize its quota and tariff restrictions on beef over a six-year period. As a result of this agreement, 1989 exports of beef and veal to Japan totalled 799 million pounds, an increase of 59 percent over 1988 exports.

The agricultural support programs of Canada include Federal and tripartite (combination of Federal, provincial and producer contributions) stabilization programs to maintain producer prices. In addition, Canada has supply management programs for the dairy and poultry sectors which, in conjunction with limited import permits, increase the price to producers through higher consumer prices.

Argentina relies on agricultural exports for a majority of its total export earnings, approximately 70 percent in 1988. Agricultural exports are taxed and are an important source of income for the government. The Argentine government imposes differential export taxes on soybeans that are higher than the processed product, in effect a subsidy for the domestic processing industry. Imports to Argentina are controlled by the requirement of an import license,

which are not issued for luxury products or where domestic production of the product is available.

Australia has a strong competitive position in the world crop and livestock markets. Their import tariffs on agricultural products are high, but are being reduced as part of a unilateral reform package. Australia enforces strict plant and animal health regulations to prevent the importation of pests and infectious diseases, but these restrictions are effectively a ban on imports of a wide range of livestock, uncooked meat, fruits, vegetables and planting seeds.

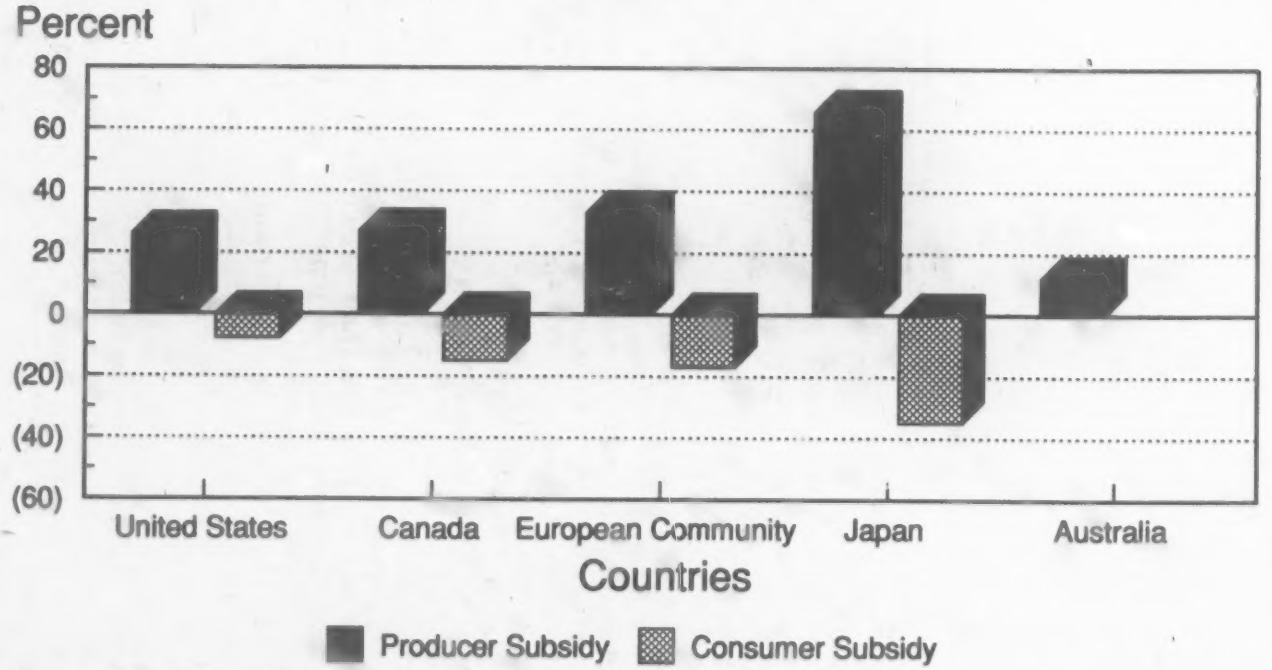
The Soviet Union is undergoing a reform program, which may include a transition to a market economy and de-nationalization of state owned property. Currently, foreign trading is administered by the Ministry of Foreign Economic Relations and conducted through state trading companies. Recently, a limited number of private entities have entered into foreign trade, but a lack of hard currency, the inconvertibility of the Soviet currency, and government dominance over trade have been impediments to U.S. exports. Instead, the main source of U.S. exports in recent years has been the long term agreement between the U.S. and U.S.S.R. for minimum purchases of wheat, corn and oilseeds.

The level of agricultural subsidization by foreign governments has been a source of concern to U.S. agricultural exporters. The chart below shows the producer subsidy equivalent (PSE) and consumer subsidy equivalent (CSE) levels for the base year 1986-87 by country for specific commodities based on the ratio of assistance to total receipts. A PSE reflects the subsidy necessary to compensate producers for the removal of government programs. A CSE reflects the subsidy necessary to compensate consumers for the removal of government programs. A negative CSE means that consumers make a net payment, through higher food prices, to producers as a result of government support programs.

Producer & Consumer Subsidy Equivalents

Averages for Selected Countries

1986-1987



Source: USDA (1988) and Roningen and Dixit (1989)

Figure #4

These programs and level of subsidization illustrate the problems U.S. exporters of agricultural commodities must overcome to compete in the world market. Agricultural trade programs must respond to these types of programs in providing assistance to U.S. exporters if export shares are to be maintained.

Response of the United States

The U.S. has attempted to meet this foreign competition through the use of price reductions, credit programs, and nonprice promotion activities. These programs have had the dual purpose of increasing U.S. exports and farm income.

The Export Enhancement Program (EEP) was first used in May 1985 under the Secretary's authority under the Commodity Credit Corporation (CCC) Charter Act. At first, four criteria were established for the EEP: additionality, targeting, budget neutrality, and cost effectiveness. The EEP guidelines published in 1989 replaced the four criteria with trade policy objectives of challenging subsidizing competitors and furthering the GATT negotiations.

EEP initiatives have been announced for 12 commodities to 65 countries totalling $2.72 billion in bonuses for sales of agricultural commodities of $10.2 billion since 1985. Approximately 85 percent of EEP sales have been for wheat and wheat flour.

The short term (GSM-102) and intermediate term (GSM-103) credit guarantee programs are designed to encourage export sales to countries that have some degree of credit difficulty. Under these programs, the U.S. guarantees the repayment of letters of credit issued by the foreign purchaser. Annual authorizations have been $500 million for GSM-103 and $5 billion for GSM-102.

Wheat and wheat flour exports have comprised approximately 30 percent of the value of the credit guarantee program since 1986. Coarse grains and oilseeds have made up about 19 percent and 23 percent, respectively of the value of exports under this program. While grains, oilseeds and their products still dominate the credit guarantee program, less traditional products such as wood products, fruit juice and tobacco have been shipped since 1986.

Market development programs conducted by the Department of Agriculture have included the Foreign Market Development Program (cooperator program) and the Targeted Export Assistance (TEA) Program.

The cooperator program was established in 1955 and authorizes nonprofit commodity organizations to promote U.S. agricultural products overseas. Activities include trade servicing, technical assistance and consumer promotion in the foreign country. The cooperator program is funded directly through appropriations for the Foreign Agricultural Service. Under that program, an average of 40 cooperators have shared $29 million in Federal assistance per year since 1986. Approximately 65 percent of these funds have been used for grains, oilseeds and their products.

The Targeted Export Assistance (TEA) program uses Commodity Credit Corporation generic commodity certificates to reimburse nonprofit commodity and regional organizations for expenses, largely consumer promotion, incurred in foreign markets. The promotion of branded agricultural products is more prevalent in TEA than the cooperator program. Over 80 percent of TEA projects are

aimed at higher-value products, with over half of the total budget used for horticultural products. Funding for TEA has increased substantially from $110 million in fiscal year 1986 to $200 million in fiscal 1990.

Trade Liberalization Efforts

The Committee recognizes that unilateral efforts cannot be the sole reaction to foreign trade barriers and unfair trading practices. It is necessary for the U.S. to conduct bilateral, regional and multilateral consultations to gain increased access for U.S. agricultural exports. Recent successful trade negotiations with Japan and Korea have demonstrated how valuable market access is to U.S. agricultural exports, but much more must be done to liberalize international agricultural trade.

Within this context, the Committee notes the ongoing Uruguay round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The Committee believes that the GATT has generally been ineffectual in the area of agricultural trade. Under its auspices, subsidization, non-tariff trade barriers, and practices such as the variable-levy system have proliferated.

While the Committee is of the opinion that meaningful international trade reform may be achieved in these negotiations, the U.S. cannot afford to take a "wait and see" approach. The U.S. must continue to move forward in establishing comprehensive agricultural trade programs that will take the U.S. agricultural economy into the 1990's.

Challenge of the 1990's.

If the U.S. is to maintain a healthy agricultural sector, the recent growth in agricultural exports must be prolonged. The size of the Federal deficit virtually ensures that Federal expenditures on export assistance programs will not be increasing in the next decade. The challenge of the 1990's for U.S. agriculture in the international marketplace is to do more with less, to maintain and increase U.S. exports with less Federal assistance, better Federal coordination of existing programs, and more commercially oriented agricultural trade policies.

Purpose and Need

If U.S. agriculture is effectively to maintain exports, the U.S. must use its export assistance programs more efficiently and must place primary emphasis on foreign markets that have strong commercial potential—markets that can be maintained over time without the use of subsidies or preferential sales terms.

The bill, therefore, consolidates and revises the commercial agricultural trade programs currently in existence. Agricultural export promotion programs have often been devised on an ad hoc basis and implemented too often without clear standards and goals. The extent to which these programs contradict, overlap, or undercut each other and programs under the Agricultural Trade Development and Assistance Act of 1954 has never been adequately taken into consideration.

The Commodity Credit Corporation Charter Act is the primary authority for most of our export promotion programs. In addition to that Act, the Food for Peace Act, the Agricultural Act of 1954, the Agricultural Trade Act of 1978, the Agricultural and Food Act of 1981, the Food Security Act of 1985, and many other Acts and appropriations provisions contain permanent legislative authorities that make up the agricultural trade programs of the U.S..

The implementation of several of the most successful trade programs has recently come under fire. The Office of Inspector General, USDA, has issued a report critical of the Export Enhancement Program. The General Accounting Office has issued reports critical of that program as well. The GAO has also been critical of the operation of the Targeted Export Assistance Program, the Export Credit Guarantee Program, and the management of the Foreign Agricultural Service, in general.

Although this criticism does not require a dismantling of these programs, it does indicate a need for revision, a need for a clearer statement of Congressional intent and purpose.

This bill, therefore—

(1) consolidates most commercial trade authorities under one permanent piece of legislation—the Agricultural Trade Act of 1978 (hereinafter referred to as the 1978 Act);

(2) eliminates redundant, contradictory authorities;

(3) requires a long-term agricultural trade planning strategy and the implementation of commercial trade authorities within that strategy;

(4) establishes clear, concise guidelines for the implementation and evaluation of commercial trade programs; and

(5) streamlines and consolidates the reporting requirements for the Foreign Agricultural Service in particular, and the Department of Agriculture in general.

Most current authorities and programs are continued, but are revised to address many of the concerns raised by the General Accounting Office, the U.S. Department of Agriculture Office of Inspector General, and others.

SUBTITLE B—THE AGRICULTURAL TRADE ACT OF 1978

Agricultural Trade Policy

Purpose and definitions

Drawing heavily on previous statements concerning agricultural trade policy that are contained in the Omnibus Trade Act of 1988 and the Food Security Act of 1985, the bill provides that it is the policy of the U.S. to provide competitively priced agricultural exports, to provide food assistance to needy countries, to promote free and fair trade, and to counter or remove the adverse effect on U.S. agricultural exports caused by foreign policy constraints and unfair trade practices of other countries.

Definition of agricultural commodity

Because current agricultural trade authorities have been in various pieces of legislation, there has been little consistency in their scope and coverage. For example, the word "agricultural commodi-

ty" has meant different things in different pieces of legislation. Therefore, a commodity such as fish or wood products might be covered under one agricultural trade program, but not covered under another.

The revised Agricultural Trade Act of 1978 will eliminate many of these discrepancies. Under this bill, the term "agricultural commodity" is defined as broadly as possible, covering any agricultural commodity or product produced in the United States. Wood, fish, livestock, and other commodities are covered. Fish shall include finfish, mollusks, crutaceans, and all other aquatic animal life used for human consumption, without regard to whether such fish are harvested in the wild or in aquaculture operations. All processed, fortified, value-added, or high-value agricultural products are also covered under this definition. This definition is identical to that provided for in the Agricultural Trade Development and Assistance Act of 1954, as revised by this bill. The bill, therefore, ensures consistent eligibility of all agricultural commodities and products under the programs authorized under this bill.

It is the intent of the Committee that both raw and processed agricultural products be eligible for all export assistance programs authorized in the 1978 Act as amended by this bill. The efficient operation of export promotion programs hinges on the ability of the U.S. exporter and the Secretary of Agriculture to respond to demand, whether that demand is calling for raw products or processed products. A consistent, broad definition of eligible agricultural commodities should eliminate any need for earmarking a certain portion of export assistance programs for one type of agricultural commodity or another or for processed agricultural products.

The Committee has determined that, in this regard, flexibility is superior to rigidity. Programs or earmarks that force the use of Federal funds to export commodities or products for which there may be no commercial demand over time are counterproductive. They send the wrong signals to both the domestic industry and the foreign buyer.

Definition of unfair trade practice

Beginning in 1981, U.S. agricultural trade policy focused more and more on conditioning export assistance upon a finding of an unfair trade practice of a foreign countries. Several programs have been authorized with the intent of countering such unfair trade practices, however, no single definition of an "unfair trade practice" for agricultural trade purposes has ever been developed.

The bill defines an unfair trade practice for the purpose of conditioning eligibility for certain export assistance programs under the Agricultural Trade Act of 1978 to include any act, policy, or practice of a foreign country that is unreasonable or discriminatory and burdens or restricts U.S. agricultural exports. The bill goes on to list many examples of practices that would be unfair, including export subsidies, preferential financial assistance, variable levies or restrictive licensing practices and discriminatory pricing policies of marketing boards and State trading agencies.

The Committee does not intend for the pricing policies of marketing boards and State trading agencies, in of themselves, to be considered to be unfair trading practices. Rather, it is when those pric-

ing policies unfairly and unreasonably injure the export of U.S. agricultural commodities that the Committee believes export assistance may be justified.

The Committee developed this definition based upon several sources, including the definition of an unfair trade practice contained in section 301 of the Agricultural Trade Act of 1974, the illustrative list of subsidies contained in the Agreement on Interpretation and Application of Articles VI, XVI and XIII of the General Agreement on Tariffs and Trade, and the discussion of unfair trade practices contained in several submissions of the U.S. in the Uruguay round of Multilateral Trade Negotiations.

The Committee does not intend to offer a definition of an unfair trade practice for the purpose of triggering any retaliatory action of the U.S. under other commercial trade laws. The definition of unfair trade practices contained in the bill is designed solely as a condition of receiving certain types of export assistance under the 1978 Act, as amended by the bill.

Lack of a long-term strategy

The Department of Agriculture is the lead agency for the operation and support of U.S. agricultural trade. Through the Commodity Credit Corporation and specific legislation, the Secretary has broad authority and substantial funds available to increase U.S. exports. The Secretary does not, however, have a long-term strategy for agricultural trade. Instead, export assistance programs are sometimes operated without specific goals, priorities, or plans. This lack of a strategy decreases the effectiveness of U.S. agricultural trade programs and hurts the competitive position of U.S. agricultural commodities in the world market. A fragmented operation of programs is a less efficient use of Federal funds, which are increasingly limited.

In most commercial businesses, some degree of planning, foresight and coordination of limited resources is required for the enterprise to succeed. This subtitle directs the Secretary of Agriculture to devise and implement a long-term (3-year) agricultural trade strategy. The long-term agricultural trade strategy should be designed to ensure the coordinated use of agricultural trade programs to help ensure the growth and maintenance of U.S. export markets. This strategy should provide the framework within which the Secretary can most efficiently use the commercial trade authorities contained in the 1978 Act and the concessional sale authorities in the Agricultural Trade Development and Assistance Act of 1954.

Agricultural Export Programs

This subtitle of the 1978 Act, as amended, contains a compilation of existing commercial agricultural trade programs that is intended to overlay and guide the even broader Commodity Credit Corporation Charter Act authority.

All of these authorities have their genesis in earlier enacted legislation. A direct credit sales program, deferred credit sales program, export credit guarantee program, and an export credit revolving fund were all originally authorized by the Food For Peace Act of 1966 and the 1978 Act, prior to its amendment by this bill.

Other export assistance programs that have been revised and included in the 1978 Act, as amended by this bill, include the Export Enhancement Program and the Targeted Export Assistance Program which were enacted in the Food Security Act of 1985. Further, several disparate authorities concerning the bartering of agricultural commodities in international trade have been consolidated in the 1978 Act.

The bill would strike the original agricultural trade authorities from law, replacing them with the revised authorities contained in the 1978 Act, as amended. Other agricultural trade authorities that are either redundant or unused are also deleted from law by the bill.

Direct Credit Sales Program

The direct credit sales program was originally provided for by the Food for Peace Act of 1966. The revised program contained in the bill would authorize the Commodity Credit Corporation to finance sales of privately held agricultural commodities for terms up to 10 years. The financing may be used to increase exports, to meet foreign competition and to assist countries in meeting their food and fiber needs.

For intermediate-term financing, the Secretary must determine that the sale will develop, expand or maintain long-term commercial sales of agricultural commodities or improve the long-term capability of the importing country to purchase agricultural commodities. The bill carries forward the current exemption from the application of the cargo preference laws for sales made under this program that is contained in the Food for Peace Act of 1966.

Repayment for sales financed under this program must be made in U.S. dollars. The Commodity Credit Corporation may make available whatever funds it determines necessary to carry out this program.

Export Credit Guarantee Program

The export credit guarantee programs carried out by the Commodity Credit Corporation have become a primary tool for assisting the export of U.S. agricultural commodities. By guaranteeing letters of credit issued to finance export sales, the Corporation facilitates sales that might not otherwise be made, yet the Corporation does not become directly involved in the export transaction and does not have to expend Federal funds unless there is a default on the underlying debt.

The bill provides for a specific authorization for the Commodity Credit Corporation to guarantee both short-term (up to 3 years) and intermediate-term (from 3 to 10 years) loans covering the sale of U.S. agricultural commodities from privately owned stocks. The export credit guarantees may be used to increase exports, to meet foreign competition and to assist countries in meeting their food and fiber needs.

For intermediate-term export credit guarantees, the Secretary must determine that the sale will develop, expand or maintain long-term commercial sales of agricultural commodities or improve the long-term capability of the importing country to purchase agricultural commodities. The bill carries forward the current exemp-

tion from the application of the cargo preference laws for this program that is contained in the Food for Peace Act of 1966.

The bill contains several provisions designed to improve the operation and maintain the integrity of the export credit guarantee program. The Committee has developed new criteria that the Corporation may use to evaluate financial institutions that wish to receive an assignment of letters of credit guaranteed under this program. The Committee is particularly concerned about U.S. banks negotiating letters of credit that were issued by a closely related foreign financial institution.

Transactions under the export credit guarantee program should be arms-length. The Committee intends for the Corporation, in implementing this program, to ensure the integrity of the entire export transaction that is the subject of a credit guarantee. The only purpose of this program is to facilitate the export of U.S. agricultural commodities to countries that are having difficulty receiving normal commercial credit.

The Corporation is currently requiring that exports of agricultural commodities under the export credit guarantee program contain 100 percent U.S. content. Unfortunately, this well meaning requirement often has the effect of discouraging U.S. exports, particularly exports of processed agricultural products.

The bill contains provisions designed to give the Corporation additional flexibility in allowing export sales that do not contain 100 percent U.S. product to be eligible for this program. Commodities with at least 90 percent U.S. origin by value may be eligible for the guarantee program, although only the U.S. origin portion may be eligible for the guarantee. The Committee understands that this flexibility is necessary for the Corporation to adequately promote the export of value-added agricultural products under this program.

The bill provides exceptions to this 90 percent rule, and the Committee does not intend for the Corporation to implement this rule in a manner that creates excessive administrative burdens. If it is not practicable to determine the domestic content of a commodity, the Commodity Credit Corporation may require 100 percent U.S. origin.

The bill provides that the Commodity Credit Corporation shall make available no less than $5 billion in short-term credit guarantees and $500 millon in intermediate-term credit guarantees in each of the fiscal years 1990 through 1995.

Deferred Payment Sales

The deferred payment sales program was originally authorized in section 201 of the 1978 Act prior to its amendments by this bill. The revised deferred payment sales program contained in the bill carries forward virtually the same terms and conditions as the original program.

Under the deferred payment sales program, the Secretary may provide financing through the Commodity Credit Corporation to exporters of U.S. agricultural commodities to allow them to provide deferred payment terms to foreign purchasers. This financing should be used by exporters to meet foreign competition or make additional exports. The terms and interest rates shall not exceed

those charged under the export credit sales program. The Commodity Credit Corporation may require a performance guarantee from the exporter at sale.

Marketing Assistance Program

The Marketing Assistance Program established in this bill is designed to encourage agricultural exports by making cost-share assistance available to help offset some of the cost of carrying out market promotion campaigns and programs in a foreign market.

This program is in many ways a successor to the Targeted Export Assistance (TEA) program that was originally authorized under the Food Security Act of 1985. However, the Marketing Assistance Program is broader and focuses on building markets, rather than compensating exporters for markets lost to unfair trade practices.

The TEA program was a somewhat vague grant of authority to the Secretary of Agriculture to use Commodity Credit Corporation funds to provide assistance to counter or offset the adverse effect on exports of agricultural commodities caused by unfair trade practices of foreign countries. Eligibility for assistance under that law hinged on the finding of an unfair trade practice. Because of this focus, the law has been implemented in a primarily compensatory fashion, with trade organizations receiving assistance based more upon past injuries than upon future market potential.

The TEA program has been both praised and criticized. Participants in the program have been generally satisfied with the range of promotion assistance available. However, the General Accounting Office has examined the operation of this program several times since 1985 and found the Department's implementation of the program to be lacking. The Department has been criticized for a lack of adequate recordkeeping, clear standards under which to evaluate applications for assistance, and established standards to review the use of funds by participants.

By striking the TEA program and authorizing an entirely new marketing assistance program, the Committee is maintaining and strengthening assistance to exporters for marketing promotion activities. The Committee is also attempting to clarify the intent of Congress in the implementation of this type of program and remedy some of the administrative shortfalls that have been identified in the GAO reports.

The marketing assistance program (MAP) authorizes the Secretary to provide cost share assistance to organizations that implement a market development program in a foreign country. The MAP program provides explicit requirements that applicants must meet before they can receive such cost-share assistance.

Among other things, applicants must demonstrate that the market into which they wish to carry out a marketing promotion activity has real commercial potential. The applicant must formally describe the activities that it intends to carry out in the market and the market results it anticipates it can achieve through the promotion program.

The bill would shift the impetus of this program from the notion of compensating applicants for alleged unfair trade practices to a goal of increasing U.S. agricultural exports in a particular foreign

market. The Committee intends for assistance under this program to be provided on the basis of merit and on the potential for real market growth. Under the bill, the existence of an unfair trade practice is to be considered by the Secretary when selecting among applicants that have submitted viable marketing plans. The presence of that unfair trade practice, in and of itself, is not enough to justify assistance.

This bill also makes other revisions in this marketing assistance program to ensure that—

(1) participants submit full marketing promotion plans before being accepted into program;

(2) evaluation of a particular marketing promotion plan occurs twice—at the time of consideration of whether to provide assistance and later, to determine whether the plan has been successful;

(3) assistance may be provided on a multi-year basis;

(4) the market promotion plans focus on longer-term market development; and

(5) the CCC has full access to the program records of participants.

Funding for the MAP program is provided at not less than $225 million nor more than $325 million for the 1990 through 1995 fiscal years. This program is carried out through the Commodity Credit Corporation.

Barter of Agricultural Commodities

The bill contains a provision that would consolidate existing authority concerning the barter of agricultural commodities to promote exports. There are currently several independent authorities governing barter by the Secretary and the Commodity Credit Corporation. The Commodity Credit Corporation Charter Act contains a very broad barter authority. That authority has been supplemented many times over the years by independent authorizations of various barter programs—many of which simply have not worked.

The Committee reiterates its strong support for barter as a means of increasing agricultural exports. The provision concerning barter in the bill is intended to complement the authority already contained in the Commodity Credit Corporation Charter Act. It was the intent of the Committee to eliminate redundant, unused barter authorities, while maintaining and streamlining those authorities that may prove to be useful to the Secretary and the Corporation.

Agricultural Credit Revolving Fund and Blended Credit Program

The bill will carry forward the current authorization for an agricultural credit revolving fund. The bill also contains a specific recognition of the blended credit program which was at one time carried out by the Commodity Credit Corporation. The Committee is resolute that the blended credit program, under which export credit guarantees are "blended" with direct credit assistance to provide some degree of concessional financing, remains a potentially viable means of assisting U.S. commodity exports.

Implementation

Title II of the revised 1978 Act contains a requirement that the Secretary or the Commodity Credit Corporation, as appropriate, promulgate regulations to carry out the provisions of that title. The Committee concluded that many of the administrative difficulties the Department has experienced in the Export Enhancement Program, the TEA program, and the Export Credit Guarantee Program over the past 5 years could have been avoided had the Department promptly issued regulations governing the basic implementation of these programs.

The requirement that regulations be issued is not intended to make discretionary programs mandatory. It is intended to require the Secretary or the Corporation to carry out the programs it chooses to implement in accordance with regulations, and not exclusively by internal agency guidelines or by individual contracts.

Response to Unfair Trade Practices

The bill explicitly authorizes, for the first time, the Secretary of Agriculture to carry out an export assistance program to facilitate the agricultural trade policy of the U.S.. The Export Enhancement Program has been carried out by the Secretary under the authorities contained in the Commodity Credit Corporation Charter Act in a manner designed to counter export subsidies primarily provided by the European Community. However, the use of that program specifically for such trade policy purposes has never been explicitly authorized.

Export Enhancement Program

The bill contains a revised Export Enhancement Program to be implemented for the express purpose of combating unfair trade practices carried out by foreign countries.

This authority closely parallels the EEP program currently being implemented. The bill would clarify the degree of authority of the Department to use export subsidies to combat unfair trade practices. It would also clarify the purpose of such a program, namely, to put pressure on other countries to achieve trade policy reform. Increasing market share and the long-term development of markets would be a peripheral accomplishment of this type of program.

Since its inception in July of 1985, the Export Enhancement Program (EEP) has been a program with no need for explicit authorization. The Secretary of Agriculture, using the authorities under the Commodity Credit Corporation Charter Act, initiated a type of EEP program in July 1985, prior to the passage of the Food Security Act of 1985. Congress, in the Food Security Act of 1985, formally created the EEP program, including statements of purpose and funding ceilings on implementation of the program.

Although maintaining competitiveness and offsetting high domestic commodity prices were among the original purposes of the EEP as prescribed in section 1127 of the 1985 Act, the Department has consistently stated that it would only be used to combat unfair trade practices; and although the funding ceilings contained in section 1127 of the 1985 Act were reached, the program has never ceased. Instead, the Department of Agriculture expended funds in

excess of that ceiling using general export subsidy authority under the Commodity Credit Corporation Charter Act. The general EEP program currently being carried out under the Charter Act has no express Congressional guidelines as to how it should be implemented or how much money should be expended. Expenditure limitations have since been imposed through appropriations acts and through express language in budget reconciliation acts.

The Committee is of the opinion that the bill will finally bring into focus the type of EEP program authorized by Congress and the type of EEP program that the Department of Agriculture will actually implement. The clarification of EEP goals, along with some new implementation requirements, should help improve the management of this program and make its operation easier to evaluate.

General Provisions

Several free standing provisions concerning agricultural trade are revised or consolidated into title IV of the 1978 Act, as amended by this bill. Among other things, this title contains provisions designed to provide protection to U.S. agricultural producers if the President implements an agricultural embargo as well as discourage the President from taking such action.

Other agricultural trade provisions that were previously enacted in the Omnibus Trade Act of 1988, the Food Security Act of 1985, the Food and Agriculture Act of 1981, and in other Acts are restated in the bill.

Foreign Agricultural Service

Title V of the revised 1978 Act will contain provisions concerning the conduct of agricultural trade programs and policy by the Department of Agriculture. The bill brings forward the provision in the original 1978 Act which created the position of Under Secretary for International Affairs and Commodity Programs. The Under Secretary will oversee the Department's policy in the areas of foreign agriculture and agricultural stabilization and conservation.

The Foreign Agricultural Service is the agency within the Department of Agriculture that is given the responsibility in the bill of carrying out the agricultural trade policy of the U.S.. The Service is given primary responsibility over agricultural market promotion and development activities, as well as the implementation of the programs authorized by the 1978 Act, as amended by the bill.

The bill will make the position of Administrator of the Foreign Agricultural Service a required Presidential appointment, subject to confirmation by the Senate. The Administrator will oversee the operations of the Foreign Agricultural Service, the General Sales Manager and the Agricultural Attache Service. The Administrator, in turn, will report to the Under Secretary.

The Committee intends that the close link between the Administrator and the Foreign Service not be hampered by the requirement that the Administrator be a Presidential appointee. The bill provides that, if the Administrator is a member of the Foreign Service prior to appointment, the Administrator may rejoin the Foreign Service after the tenure as Administrator and shall retain

full retirement rights and benefits as a member of the Foreign Service.

Other provisions in the bill concerning duties of the Foreign Agricultural Service or agricultural attaches are restated for the purpose of recodifying those duties to the 1978 Act, as amended by this bill, or the Agricultural Act of 1954, which contains many of the authorizations concerning the agricultural attaches.

Reports

The new title VI of the 1978 Act contains provisions designed to consolidate and streamline reporting requirements that have been imposed on the Foreign Agricultural Service. The long-term agricultural trade strategy reports contained in the Omnibus Trade Act of 1988 would be carried forward and modified to conform with the long-term agricultural trade strategy requirements contained in title I of the 1978 Act, as amended by the bill. The Secretary would be required to issue a full report concerning the implementation of the authorities contained in the 1978 Act and in the Agricultural Trade Development and Assistance Act of 1954 only every 3 years. This report should be updated annually, as necessary.

A few other reports will be continued, but the emphasis in the bill is on the elimination of reports so that personnel of the Foreign Agricultural Service can concentrate more on implementation of programs and the successful promotion of U.S. agricultural commodities.

The Committee commends the extraordinary ability of the agricultural attaches to compile information about foreign country markets and activities. The Committee is concerned, however, that the plethora of small, particularized reporting requirements that have characterized several recent pieces of agricultural trade legislation threaten to overwhelm the attaches.

The Committee worked closely with the Department of Agriculture during the development of this portion of the bill to determine what reporting requirements were necessary and which were not. By consolidating most reporting requirements and by setting one date (January 15) by which most reports generated by the Foreign Agricultural Service will be required to be submitted to the Congress, it is hoped that both the development of comprehensive, complete reports and the general usefulness of these reports to the Congress will be fostered. The January 15 date was chosen because it corresponds to the approximate date upon which the President submits the annual budget to the Congress.

Attache Educational Program

The bill provides for the establishment of an educational program whereby the agricultural attaches returning from overseas assignments consult with agricultural producers, exporters and State officials concerning methods of increasing exports. This provision is restated from the Omnibus Trade Act of 1988 in order to recodify this provision to the Agricultural Act of 1954.

SUBTITLE C—GENERAL PROVISIONS

This subtitle contains several free standing provisions or amendments to current law concerning agricultural trade or agricultural trade programs. Among other things, the Food Security Wheat Reserve is extended through 1995 and the cottonseed oil and sunflower oil export assistance programs are extended through 1995. The bill also formally authorizes an agricultural fellowship program for middle income countries and emerging democracies. The Secretary of Agriculture has been previously carrying out such a program for middle income countries. Under the bill, this fellowship program is broadened to include emerging democracies.

Conduct of Multilateral Trade Negotiations

The bill also provides guidance to the President in the conduct of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The Committee recognizes the significance of the ongoing negotiations and provides in this provision its sense of the components of a successful agreement.

More detail is provided in this provision than in subsection 1101(b) of the Omnibus Trade and Competitiveness Act of 1988 because the Committee is more aware of and wishes to indicate its position on the concepts that have evolved during the first three years of the negotiations.

Among other things, the Committee has determined that a successful agreement in the Uruguay round of negotiations must be beneficial to U.S. agricultural producers and business; should not leave an individual commodity vulnerable to increased market-access barriers, orchestrated international market-sharing agreements or other unfair treatment; that the various sectors of U.S. agriculture are treated equitably; must provide for the elimination of export subsidies; and should not unduly restrict the authority of the U.S. to provide for the stabilization of its agricultural economy.

The Committee reiterates its support for the multilateral trade negotiations. Only through mutual cooperation with our trading partners can the upward spiral of trade distorting subsidization and unfair trade barriers be halted. The Committee notes, however, that the countries involved in these negotiations entered the debate with varying levels of market protection and subsidization. Equity will not be achieved through equivalent reductions in trade distorting practices among non-equivalent agricultural protection schemes.

The Committee also reiterates its opposition to proposals for "rebalancing" of agricultural systems in certain countries. The notion of increasing protection or subsidization has no place in these negotiations. If inequities must be resolved between varying levels of commodity protection, those inequities should be resolved through reductions in such protection, not through increases in some distorting practices and decreases in others.

As the negotiations enter the final months, it will be increasingly important for the executive branch and Congress to maintain close consultations prior to reaching a final outcome in the negotiations. This will allow Congress a more informed and influential means by

which to voice its concerns with or give its support to a final negotiated package.

TITLE XII—CONSERVATION

Purposes and Need

Conservation Stewardship Program

A new program is created, the Conservation Stewardship Program (CSP), which includes the reauthorized Conservation Reserve Program (renamed the Environmental Conservation Acreage Reserve, referred to here throughout as the conservation reserve), and two newly authorized programs, the Wetlands Reserve Program (WRP) and the Water Quality Incentives Program (WQIP). The CSP contains the principal cropland retirement and management programs in the conservation title.

The conservation reserve provisions build on this soil erosion prevention program established in The Food Security Act of 1985 (FSA) by targeting new conservation reserve contracts to address additional environmental needs. The WRP restores converted wetlands and protects them in their restored state through conservation easements. The WQIP provides incentive payments to farmers who adopt 3 to 5 year farm management plans that reduce substantially the potential for agricultural chemical and fertilizer contamination of ground and surface water.

Environmental Conservation Acreage Reserve Program.—The conservation reserve has been a successful program, and will continue over the life of the contracts to meet the objectives established for it in the FSA of 1985. As of the ninth sign-up, approximately 33.9 million acres have been enrolled. The net reductions in erosion from these lands due to wind and water are estimated to be approximately 656 million tons per year. The off-farm environmental benefits from the 25.5 million acres enrolled as of the sixth sign-up are estimated to be, over the life of the program, approximately $8 billion ($3.6 billion of which are water quality benefits).

There are other benefits to the conservation reserve. Crop surpluses in 1985 were large, and, in the absence of major policy changes or wide-spread natural disasters, were likely to remain excessive. Of the acres currently in the conservation reserve, approximately 21.8 million are base acres that will not receive commodity program benefits while the contracts are in effect. The conservation reserve, by removing these base acres from production, has contributed to today's greater balance between annual use and Federal commodity program crop reserves. These crop surpluses were reduced while providing cash income to farmers in the form of conservation reserve rental payments. And finally, the conservation reserve has increased the planting of conservation cover, substantially improving the quality and quality of wildlife habitat available in this country.

Much of this success has come through the program's general removal of highly erodible land crop production, and without much emphasis being placed on removing either the most erosive land from production, nor removing that land with the most negative off-farm environmental consequences. Most of the land enrolled in

the program is located in the wind-erosion prone areas of the Great Plains, partly as a result of the relatively high conservation reserve rental rates paid in this region. While the overall successes of the conservation reserve are substantial, fewer gains have been made in the other objectives of the program as established in the FSA of 1985 than were possible, particularly in the area of water quality.

When the conservation reserve was created in 1985, the Senate and House reports listed 7 environmental-resource conservation goals for the program. These goals were: (1) protect our long-term capacity to produce food and fiber; (2) reduce soil erosion (or reduce erosion on marginal cropland that is eroding excessively); (3) reduce sedimentation of surface waters; (4) improve water quality; (5) create wildlife habitat; (6) reduce production of surplus commodities; and (7) provide income support for farmers. The statute also established yearly acreage targets—5 million acres by 1986, 15 million by 1987, 25 million by 1988, 35 million by 1989, and 40–45 million by 1990.

Except for the mandated acreage targets, Congress never explicitly established which of these goals, or aspects of these goals, should receive the most attention. This lack of direction created significant difficulties because the environmental goals do not necessarily work together, nor complement each other, depending on the region of the country to which they are applied. For example, because of the soils, crops and climate in the Great Plains, meeting the objective of reducing erosion in this region means primarily reducing wind erosion. While reducing wind erosion helps maintain cropland productivity, it does little to reduce sedimentation or improve the quality of surface waters. Likewise, a goal of maintaining the productivity of farmlands in the Corn Belt through erosion reduction may or may not reduce sedimentation or improve water quality. The amount and value of the water quality improvements will depend on where these croplands are located in relation to surface water bodies.

Thus, Congress in 1985 gave the Secretary a mandate to create a totally new program that represented a major change in agricultural and conservation policy, a program with multiple and not necessarily easily reconciled environmental objectives. This program was to have enrolled, within a very short period, millions of acres of cropland with substantial conservation and environmental benefits. The Committee recognizes how difficult this task was, and generally approves of the Department's efforts and the program's successes.

Yet, by emphasizing enrolling highly erodible land, explicit concern was not given to removing from production the most erosive croplands, or placing into conservation cover those lands that should not be in cropland production, or to obtaining greater water quality benefits. While the program, as implemented, does achieve substantial benefits in these areas, the Committee intends for more emphasis to be given to these objectives over the life of this farm bill, so that even more of these benefits can be achieved.

CSP acreage goals.—The Secretary is directed to enroll a minimum of 40 million acres, and is given the discretion, based on future conditions, to exceed this level and enroll a total of 50 mil-

lion acres through the 1995 crop year. The Committee has directed the Secretary, in making such a decision, to take into consideration commodity prices, stocks, export market situation, and domestic needs.

The Committee recognizes there are potential environmental benefits if more than 40 million acres are enrolled into the CSP. But, the Committee has significant concerns about increasing the number of acres retired from crop production beyond this level. While the Committee believes a 40 million acre CSP will not diminish the Nation's ability to meet domestic and export market needs nor unduly diminish agricultural and total economic activity in rural areas, enrolling more than 40 million acres may diminish this ability and this activity. The Committee notes that, unlike annual set-aside programs, the CSP is an inflexible supply control instrument, and returning acres to production once they have been removed is much more difficult. For these reasons, the Committee questions the wisdom of expanding the CSP beyond 40 million acres when it is possible to achieve many of the same environmental benefits with less expensive management changes that keep this land in productive agricultural use.

In general, it is the Committee's intent that the Secretary achieve the environmental objectives of the CSP within these 40 million acres. The CSP can be expanded beyond 40 million acres to a total of 50 million if the removal of these acres from production does not threaten adequate commodity stocks and our ability to meet domestic and export market needs.

The Committee has not set annual enrollment goals for the CSP and the Secretary is given a great deal of discretion in determining how to best make use of the authorities established in this title. For instance, the Committee amends the FSA by directing the Secretary to give priority to contract offers that would provide for the greatest public benefit. The Committee believes the Secretary will be better able to make such determinations if time is provided for the development of clear and complete regulations and procedures before implementation begins. The Committee also believes that without the pressure of annual targets the Secretary will be able to take advantage of the flexibility provided in these authorities to alter the program as it progresses, if alterations are needed. Even though there are no annual goals, the Committee does want implementation to proceed without unnecessary delay so that the 40 million acre program goal will be met over the life of this bill.

The WQIP is a management program that does not remove agricultural lands from production, and as a result the Committee believes the actual number of acres under contract in the WQIP should not be counted, one for one, toward the CSP's 40 million acres. However, the Committee wants to include the WQIP as part of the CSP because it believes its goals are consistent with the program in general, and will be used to treat acres that may also be enrolled into the conservation reserve if the problems are severe enough that they cannot be adequately addressed with these management incentives. For this reason the Secretary is directed to convert the number of acres enrolled into the WQIP to a comparable number of CSP acres, where the conversion is based on the relative costs per acre of enrolling land into these two programs.

The Committee directs the Secretary to enroll, on a CSP-equivalent basis, not more than 1 million acres between crop years 1991 through 1994. In terms of the actual acres that should be enrolled into the WQIP, the Committee believes several million should enter the program, depending on the per acre cost of the management incentives. The full discussion of the WQIP below gives greater detail on the acreage goals for the program, and the calculation that should be used to convert these acres into their CSP-equivalent.

CSP County Limitation.—Under the current conservation reserve program, the Secretary can enroll acreage into the conservation reserve in excess of 25 percent of a county's cropland base if this action will not have an adverse affect on the local economy. This same principle is applied to the newly created CSP, except that the acreage counted toward the 25 percent cap includes that enrolled in both the conservation reserve and the WRP. Cropland that is enrolled into the conservation reserve for the purpose of the creation of shelterbelts and windbreaks is exempted from the 25 percent limitation.

Throughout this title the Secretary is directed to exempt certain types of lands from this 25 percent cap, or exceed this cap under special circumstances. The shelterbelt and windbreak exemption reflects the Committee's determination that the establishment of these plantings can help farmers achieve compliance with the highly erodible land conservation plans required under Subtitle B of Title XII of the 1985 Food Security Act.

Highly Erodible Land.—The Senate Report for the 1985 Act mentioned specifically that the conservation reserve should be used to reduce erosion on marginal cropland that is eroding excessively. In the view of the Committee, this is still an important objective of the conservation reserve, to preserve the productivity of these lands, but also to reduce or remove the off-site damages from this excessive erosion.

Excessively erosive land of minimal economic value for crop production purposes should be brought into crop production only under the most extreme crop shortage circumstances. The principles of conservation and land stewardship dictate that under most normal cases such land should be left in range, trees or pasture. The Committee believes the conservation reserve should be used to retire these excessively eroding lands where they cannot be economically treated under conservation compliance.

In the view of the Committee, the demands of conservation compliance, reasonably implemented, will make evident which cropland should not be in production due to an inherent lack of profitability. Any future highly erodible land sign-ups should explicitly take into account the needs of owners and operators who are not able economically to meet these provisions. This may mean future highly erodible land sign-ups should be delayed until we are closer to the 1995 conservation compliance deadline, when more complete information is available about such needs. While it is important that these non-economical lands be returned to conserving uses, the Committee does not believe it is the Federal Government's responsibility to pay owners and operators for an unlimited amount of time to keep these lands in such uses.

Conservation Reserve County Limit.—The Secretary is directed to permit acres in excess of the 25 percent county cap to be enrolled into the conservation reserve to the extent producers in a particular county are having severe difficulty in meeting existing conservation and environmental requirements. These requirements are meant to include the requirements of conservation compliance.

The intent of this provision is not to create a blanket exemption for entire counties with producers who have particularly severe trouble meeting the requirements of conservation compliance. The Committee believes that when a county has reached its 25 percent cap, the Secretary should consider new applicants on a case-by-case basis. In those situations where an applicant will not be able to meet conservation compliance without overburdensome expenditures, such applicants may be allowed to enroll their acreage into the program. The Committee believes that where the options available for a producer are to either leave crop production due to failure to meet conservation compliance, or leave crop production through entry into the conservation reserve, the latter option will have more positive effects on local rural economic activity.

Managing Erosion and Water Quality Problems.—The Committee believes there are two other primary objectives for the conservation reserve during these next five years. First, to the extent possible, it should be used as a management tool to help owners and operators reduce erosion on their croplands, without necessarily removing such croplands from production. And second, it should be used specifically to reduce costly sedimentation and other water quality problems, even if the lands enrolled are not themselves highly erodible land. Where practical, the Committee intends for the Secretary to use shelterbelts, windbreaks and permanent contour grass strips as management tools that can help reduce erosion and maintain the long-term productivity of cropland. No acreage goals for these plantings are established because the Committee believes the Secretary will need to determine how extensively these practices should be used. But the Committee notes that S. 2156, commonly referred to as the "Forest Conservation and Promotion Act of 1990", called for 50,0000 miles of shelterbelts and windbreaks, or approximately 120,000 acres (assuming plantings of 20 foot widths). These plantings can help bring a farm's highly erodible land into compliance, and the Secretary should, to the extent feasible, work with owners and operators to use these plantings to assist them in meeting the requirements of their conservation compliance plans.

The reason for using the conservation reserve as a management tool is based on the view that removing profitable and economical (non-marginal) highly erodible land from crop production is an inefficient means of achieving our conservation and environmental goals. Negative rural economic consequences also follow from concentrated removals of large amounts of non-marginal cropland from production.

In comparison, the conservation reserve is an expensive and inefficient means for maintaining the productivity of cropland because the owner or operator must be compensated for the income lost by the retirement of such land. Management techniques are less expensive because they permit this land to continue to generate eco-

nomic returns for the owner or operator, and at the same time achieve many of the desired conservation benefits.

The negative rural economic effects are due to the reduction in economic activity that occurs in rural areas as agricultural cropland is taken out of production. While the rental payments replace (approximately) the income lost by the farmer when land is removed from production, the demand for agriculturally related business activity is not replaced. Machinery, seed and agricultural chemical dealers all lose business, as do the grain dealers and processors. If these croplands could be protected through management techniques, then the conservation benefits could be achieved while the costs to the agriculturally related businesses in rural areas would be substantially reduced or eliminated, because essentially all of the farming activity on which they depend would continue.

Persons planting conservation reserve lands to shelterbelts and windbreaks are required to grant an easement for the useful life of the planting. The easement should last to the end of the useful life of the conservation planting, as determined by the Secretary. After the contract expires, the owner or operator would not receive compensation from the Federal Government. The Committee believes that the large Federal expenditure for the establishment and maintenance of these plantings, coupled with the important benefits these plantings provide, justify requiring these participants to maintain these plantings over this extended period of time.

With respect to contour grass strips, the Committee has limited eligibility to lands that will be planted to strips permanently. The Committee wishes to prevent the re-expenditure of cost-share funds over the life of the contract that would be necessary to establish new grass strips as they are rotated around the farm.

The Committee has directed the Secretary to make certain pasture land eligible for the conservation reserve. Pasture that does not meet the conservation reserve cropping history requirements will be eligible if these lands are to be planted to trees and if they are of marginal economic value and environmentally sensitive. The Committee intends for the Secretary to administer this provision so as to attain the maximum environmental benefits possible while paying rental rates that do not exceed the market rates for comparable pastureland in the local area.

There are Federal programs in existence or proposed that will help landowners plant trees on property such as marginal pastureland, including the Forestry Incentives Program and the President's tree planting initiative. These programs provide cost-share assistance for the planting costs, but do not compensate the landowner with conservation reserve-like annual rental payments. The Committee debated this provision, with members noting that these other cost-share programs provided enough incentive and compensation for landowners to plant trees. The Committee decided to make these lands eligible for the conservation reserve, but that they would not be able to receive tree planting cost-share assistance from any Federal programs.

In general, the Committee believes that conservation systems can add significantly to the aesthetic values of agricultural land. The Committee believes the conservation plans and systems implemented under the conservation programs of the Department of Agricul-

ture should attempt to demonstrate the beauty of good stewardship and improve the aesthetic appearance of rural landscapes.

The Committee believes significantly greater surface water quality benefits than have been obtained to date from the conservation reserve are possible. Achieving such benefits means directing the conservation reserve, to a certain extent, away from the wind erosion-prone areas of the Nation to those lands subject to water erosion. The Committee recognizes that in many parts of the country the conservation reserve rental rates that will need to be paid to induce owners and operators to remove water erosion-prone croplands from production are higher than those needed for wind erosion lands. The Committee believes it is possible to minimize these costs through management-oriented uses of the conservation reserve. It also believes that the expenditure can be justified where the croplands that need to be removed are creating excessively costly surface water quality problems.

Greater use of grass filter strips will be necessary. Grass strips located along waterways can filter soil particles in run-off, and like windbreaks can therefore result in large environmental benefits without themselves being on highly erodible land. Filter strips will often be productive, non-erodible cropland along the floodplains of rivers and streams. However, one acre of filter strips can ameliorate the erosion from several acres of cropland, potentially making the reduction in the amount of erosion or other contaminants entering waterways per dollar expended relatively greater than if the money were spent to remove from production the erodible cropland itself.

The Committee recognizes that as of the ninth sign-up, approximately 49,000 acres of filter strips have already been enrolled in the conservation reserve, and that some states have actively sought to make use of this authority. The Committee believes the Secretary should more actively explore the filter strip authority provided in this title in preference to the removal of highly erodible croplands from production. The Committee recognizes the Environmental Protection Agency's (EPA) considerable expertise with regard to filter strips, best management practices (BMP's) and other matters concerning water quality. The Committee believes the Secretary should consult with the EPA, and any of the appropriate State and local authorities, on how conservation reserve filter strips can be best used in sensitive areas to achieve Federal, State and local surface water quality goals.

This priority notwithstanding, there are circumstances where eroding cropland cannot be effectively treated with filter strips or management oriented practices, and should be removed from production to achieve surface water quality goals. In the view of the Committee, when establishing eligibility criteria in this case, the principal criterion should be the amount of non-point source contaminants leaving the field in question. Improving surface water quality, not maintaining the productivity of the cropland in question, will be the principal goal in such instances. The land may not be even eroding in excess of the soil loss tolerance level. Rather, the Secretary should select lands to be removed from production on the basis of the actual rate of erosion from these lands (or the

amount of other contaminants running off the field), relative to the sensitivity and importance of the water body in question.

The Committee believes that the costs associated with removing land from crop production makes this policy the least desirable solution to the problem of ground water contamination. This is particularly true when the option of using management techniques is available. The water quality management incentives program (WQIP) established in this title was created for the express purpose of helping farmers adopt practices on active cropland, through the use of incentive payments, that will reduce the potential for ground and surface water contamination. In general, the Committee does not want lands to be enrolled in the conservation reserve for the purpose of addressing the problem of ground water contamination if it is possible to use the WQIP program to achieve the same goal.

The Committee has expressly made lands eligible for the conservation reserve that may be or are contributing to ground water contamination. As stated above, the Committee directs the Secretary to enroll these lands into the conservation reserve only if the management incentives program cannot achieve the desired result. The Committee recognizes there are circumstances where a management program cannot be effective, and the retirement of cropland is the only option. Lands made eligible for these purposes include; croplands within well-head areas, croplands which overlay Karst topography and are associated with sinkholes, and cropland within section 319 watersheds, and croplands where agricultural non-point sources of pollution have been determined to threaten the habitat of endangered or threatened species.

Water Quality Incentives Program

Protection of the nation's surface waters and ground water supplies is of vital importance to American agriculture and to the country as a whole. In a significant portion of the United States, agriculture has been identified as a principal contributor to the degradation of water quality. According to USDA, "data reported by state water agencies indicate that agricultural non-point sources cause 64 percent of all river degradation and 57 percent of all lake degradation. Pesticide contamination was reported to adversely affect 4,916 water body segments in 609 counties. "Significant nutrient contamination was reported in 5,246 water body segments in 859 counties."

The Department also cites an Environmental Protection Agency estimate that 1,921 of the 3,127 counties in the U.S. are highly or moderately vulnerable to ground water contamination, 340 of which are in areas of high agricultural pesticide use.

By including this section, the Committee makes water quality a priority of the conservation title, approving new programs and policies that are intended to help farmers reduce substantially agriculture's contribution to water quality problems over the next five years.

The Committee gives high priority in the title to this program which will help farmers modify or change their management practices to reduce or prevent the potential for water pollution at its source. This approach is consistent with pollution prevention and

source reduction strategies that are being employed with increasing frequency across a broad range of industries.

For both technical and economic reasons, the Water Quality Incentives Program gives management practices priority over land use change and land retirement as the principal means of dealing with water quality problems. Agricultural sources of pollution often encompass large areas of highly productive, intensively farmed land. Idling such areas is not in the interest of individual farmers or the nation as a whole.

Experience to date with the Conservation Reserve Program further suggests that it would be very expensive for the Federal Government to pay for land retirement in many of the areas where agricultural water quality problems are most serious. The per acre cost of government incentives for farmers to modify management practices, by comparison, is expected to be much lower. Moreover, particularly in the case of ground water, the source or sources of agricultural contamination rarely can be pinpointed, making it difficult or impossible to locate the specific parcels of land that would have to be idled in order to eliminate pollution sources. Finally, modifications of farm management practices that prove to be effective both in preventing pollution and in reducing production costs are more likely to be maintained by producers in the long run, without the need for continued investment of government funds.

The Committee finds that a wide range of agricultural management practices, already in use on millions of acres of agricultural land across the country, have enormous potential to prevent the degradation and contamination of water quality while enhancing farm productivity and profitability. Improved testing for plant nutrients, banding of herbicides instead of broadcast application across entire fields, and biological pest control are examples. The Water Quality Incentives Program is intended to promote much wider adoption of such practices among farmers in areas where prevailing practices may be impairing water quality. The Committee envisions very limited or no land retirement under the conservation reserve for controlling water quality problems where management practices are available through the Water Quality Incentives Program that can effectively address the problem.

Conversion of WQIP acres into CSP acres.—The WQIP acreage will not be removed from production, as are the other lands in the CSP. For this reason, the WQIP acreage must be converted into an equivalent amount of CSP acreage before it is counted towards the 40 million acres that are to be enrolled into the CSP. The Secretary is directed to make this conversion by dividing the WQIP acreage by the following: (average annual cost per acre for conservation reserve lands) divided by (actual incentive payments to enroll the WQIP acreage).

The intent is to use the relative costs of enrolling land into these two programs to transform the WQIP acreage into an equivalent amount of conservation reserve acreage. The costs of enrolling land into the conservation reserve are used instead of those for both the conservation reserve and the WRP because the WQIP is intended to treat those lands that would otherwise be enrolled into the conservation reserve to address the potential for ground and surface water contamination. The average cost per acre to enroll land into

the conservation reserve is assumed to include the annual rental payments and the average first year cover crop establishment costs pro-rated over the period of a 10 year conservation reserve contract.

For example, through the ninth conservation reserve sign-up of the conservation reserve, the average annual rental payment is $48.93. The average cost-share per acre for the establishment of cover crops, if pro-rated over the life of a ten year contract, is $3.74 per year. Summing these two figures results in an annual average cost per conservation reserve acre of $52.67.

If, for the purpose of this example, you assume 3 million acres are enrolled into the WQIP in crop year 1991, at an average annual incentive payment rate of $7.50 per acre, the ratio of the relative costs of the conservation reserve and the WQIP would be 7.02. Three million WQIP acres, divided by this ratio produces a CSP-equivalent of 427,000 acres. These 427,000 acres would then be included in the total acres enrolled into the CSP. The Committee recognizes that as acres are enrolled into the conservation reserve, the average annual cost per acre for enrolling conservation reserve acres will change, which would then change the ratio used to calculate the CSP-equivalent acres from those enrolled into the WQIP.

WQIP acreage limitation.—During the 1991 through 1994 crop years, the number of acres enrolled into the WQIP (on a CSP-equivalent basis) is limited to 1 million. A second million CSP-equivalent acres may be enrolled into the WQIP in crop year 1995 and beyond if the Secretary determines these acres are not needed to meet the other objectives of the CSP. While this determination is left to the discretion of the Secretary, the Committee recognizes there may be a particular and pressing need in 1994 and 1995 for producers to enroll into the conservation reserve highly erodible land that cannot meet the requirements of conservation compliance. If such need exists and there is less than 40 million acres enrolled into the CSP in 1994 and 1995, the Committee believes the Secretary should give higher priority to the enrollment of highly erodible acres into the conservation reserve than to the second million acres of CSP-equivalent WQIP land.

Other Conservation Reserve Provisions

Sodbusting prohibition for certain conservation reserve participants.—The situation has arisen in parts of the Great Plains where conservation reserve participants are entering highly erodible land into the reserve, planting it to grass, and then breaking out sod in other highly erodible fields for agricultural commodity production purposes. For counties not at their 25 percent cap, and subject to other limitations, this provision makes such a person ineligible for Federal farm program benefits.

During the Committee debate on this provision, the question was raised as to why impose these sanctions when "sodbuster" already requires any of these lands to be in strict conservation compliance? It was acknowledged that these lands are so covered, but the overriding concern was the soundness of a policy to pay owners and operators to retire cropland to grass, and then allow them to convert highly erodible land in range or pasture into cropland. The issue is consistency between these two programs. Concern also was ex-

pressed about the effects on local range and pasture rental rates from allowing conservation reserve participants to break out new grass. The conservation reserve grasslands are not eligible for commercial use, and some believe if further grasslands are removed from production, local forage land rental markets tighten up to the point that forage land rental rates could become inflated.

The use of easements on conservation reserve lands.—The Secretary is authorized to purchase 30 year or permanent conservation easements, at the option of the land owner or operator, on lands that are to be enrolled into the conservation reserve. The Committee recognizes that, in many cases, 10 years of conservation reserve rental payments represent approximately the fair market value of the land. Since at the end of the contract period these lands may return to crop production and the public's investment in these lands could be lost, the Committee is concerned over the size of these expenditures. Although soil erosion on these lands should be somewhat controlled by conservation compliance after their conservation reserve contracts end, clearly many of these acres would be best in permanent conserving uses, even if short-term economic returns might provide incentives to put the land into crop production.

The Committee believes that long-term or permanent easements provide more value for the public. The Committee recognizes that many land owners and operators are unwilling to accept such easements, but believes there are sufficient owners who will view long-term conserving use as the best alternative for their land, and will make use of this option.

Tree planting incentives and conversion of conservation reserve contracts.—This provision allows conservation reserve participants whose conservation reserve lands are in grass to convert these lands to trees, shelterbelts, windbreaks, or wetlands, and in some cases to extend the period of the contract or convert it to long-term or permanent easements. Other new incentives to encourage these plantings are also established. One of the original goals of the conservation reserve was to have approximately 12 percent of acres enrolled planted to trees. The actual number of these acres has fallen short of this goal, numbering approximately 6 percent of total enrollment, or 2.2 million acres.

Most of these 2.2 million acres are being planted to softwoods in the Southeast. The Committee has considerable interest in seeing more hardwood trees planted, and more trees in other regions of the country, and has created additional incentives for participants wanting to use this conservation cover on their conservation reserve acres. The Committee is also interested in greater use of shelterbelts and windbreaks in the conservation reserve, and most of the new incentives for hardwoods are extended to shelterbelts and windbreaks.

In general, the Committee is concerned that the use of two relatively short sign-up periods per year may discourage potential participants from enrolling hardwood trees into the program, and for this reason has directed the Secretary to hold a continuous enrollment period for those lands that are to be planted to hardwood trees.

Shelterbelt and windbreak plantings can often take two to four years to become established in the drier climates of the Nation. These plantings need much more attention and maintenance than many species of grass. It is for this reason the Committee has directed the Secretary to provide enhanced cost-share assistance for the maintenance of these trees during the first two to four years after they are planted.

As in the case of grass conservation cover, many shelterbelt and tree plantings can be lost due to conditions of drought or other natural circumstances beyond the control of the owner or operator. In drought areas, USDA has paid for two or three replanting of grass species after earlier plantings died. The Committee wishes to extend similar assistance to hardwood trees, shelterbelts and windbreaks.

The capital costs of planting hardwoods can be significant, and a barrier to farmers wanting to plant trees but short of cash. To overcome this barrier, the Committee has provided for spreading the planting of these trees out over three years. The Committee has required that one-third of the trees be planted each of the first two years to ensure the farmer is committed to planting the trees, and that significant environmental benefits are received as early as possible. This extension of the planting period will give the owner or operator more flexibility than is currently permitted.

Currently, the law allows the Secretary to establish the length of conservation reserve contracts between 10 and 15 years, but all conservation reserve contracts to date have been set by the Secretary at 10 years. This length of contract may be discouraging the planting of hardwood trees, since evidence indicates that it takes more than 10 years for a commercial stand of hardwoods to become viable. Most producers cannot afford to go without the income between the final (10th) year of the contract and whatever year the stand begins to generate an economic return. Fifteen year contracts make it much more probable that hardwood stands will become economical for owners and operators. The selection of 10-15 year contracts is left to the option of the owner or operator when they are to plant hardwood trees, shelterbelts and windbreaks as further incentive to use these forms of conservation cover.

Conservation reserve contracts converted from grass to hardwood trees or shelterbelts or windbreaks, are eligible to have their contract extended to a total of 15 years. So, for example, if an existing conservation reserve contract was 5 years old, and was converted to hardwood trees, the owner or operator is eligible to extend this contract so that he would receive payments for up to another 10 years.

The Committee believes these new incentives may be great enough for current conservation reserve participants to convert their existing grass contracts to hardwood trees, shelterbelts and windbreaks, and for this reason has made such conversions possible. This same authority is extended to participants wanting to convert their contract acres to wetlands, if otherwise eligible for the WRP, and enroll them in the WRP. The Committee recognizes there may be very few conservation reserve acres that are eligible for the WRP, but to whatever extent there are WRP eligible acres in the conservation reserve, the Committee wants to ensure such conversions can take place.

Bid-back program.—This provision authorizes the Secretary authority to conduct a "bid-back" program. In general, this authority is established because of concern that in some areas of the country too much productive cropland has been enrolled than is healthy for the local economy. Although the farmer is largely compensated for the lost income in the form of conservation reserve rental payments, all of the local business activity associated with the production of crops or livestock on this land no longer takes place. This decline in local business activity is particularly significant in portions of the Great Plains states, where enrollment in the program has been the greatest.

This authority would permit the Secretary to establish a program in which conservation reserve participants, on a voluntary basis, could return conservation reserve land to crop production. These lands could leave the conservation reserve only if there were other lands waiting to enter the program, or if it was certain such lands would be available in the near future. This provision would allow the Secretary to seek to remove lands from the conservation reserve that are less erodible, and enroll those that are more erodible and, thereby helping those farmers having difficulty meeting conservation compliance. Such "exchanges" would not have to occur in the same county, or even the same state or region. The intent is to permit a regional redistribution of conservation reserve enrollments so that areas with high rates of enrollment can regain some of their lost business activity.

No penalty is established for participants that decide to leave the program, although the Committee does not intend for this provision to be used to allow people to move in and out of the conservation reserve. The Committee would consider it inappropriate for a person who has removed land from the program to re-enroll the same or other land into the conservation reserve at a later date.

The Committee does not intend for the Secretary ever to pay more than the local average farmland rental rates on any acres, including these new acres. In general, the erosion reduction that results from enrolling land into the conservation reserve through this bid-back program must be at least equivalent to that for the those lands that are leaving the program, and at no greater Federal cost. Any acres leaving the conservation reserve under this section would, of course, have to meet the highly erodible land provisions of the FSA of 1985 as they apply to cropland.

Acceptability of contracts for the Environmental Conservation Acreage Reserve Program.—This provision amends the FSA by adding factors which the Secretary is given the authority to consider when determining whether or not to accept conservation reserve contract offers. The Secretary is allowed to give priority to offers that would provide for the greatest public benefit and to take into consideration the potential benefits to wildlife. One area of greater public benefit would be if more emphasis were placed on removing the most highly erodible cropland from production.

The direction to select offers with the greatest public benefits reflects the Committee's recognition that the Secretary will need a great deal of discretion in setting eligibility and bid-selection criteria for the conservation reserve. The Committee has set new priorities for the conservation reserve, but it remains to be seen how ex-

tensive the enrollments can or should be in areas that meet them. Even though this uncertainty exists, the Committee believes strongly that the conservation reserve can be used to achieve more off-farm environmental benefits to the general public, and wants the Secretary to consider them when implementing the conservation reserve.

Ownership Requirement.—The FSA conservation reserve contract provisions contain four conditions under which the three year ownership requirement may be waived. A fifth condition is added where the requirement may be waived for lands administered, as of the date of enactment of the Farm Credit Act Amendments of 1987, by a Farm Credit System institution, the Secretary under the Consolidated Farm and Rural Development Act, or a private lender. This waiver would apply only if the contract is to go to a family farmers who purchase or lease the cropland administered by these institutions. In a situation where there are offers to enroll conservation reserve land from persons who meet these first four conditions, and offers from those that meet the fifth condition, the Secretary is directed to give priority to the former.

Family farmer is defined to mean an owner or operator (as of the time immediately after such sale or lease) of not larger than a family size farm as defined under the Consolidated Farm and Rural Development Act.

Erosion standards after conservation reserve contracts expire.—This provision amends the FSA by giving an owner or operator up to two years to implement his conservation compliance plan after his conservation reserve contract has expired, if the plan requires the construction of structures. This provision is included to give a conservation reserve participant a reasonable amount of time to construct any structures required under a compliance plan. In general, the Committee believes the owner or operator should make every effort to begin construction of these structures before the conservation reserve contract ends, so that this land will be in compliance as soon as the land returns to cropland use. The Committee notes that the USDA has indicated it will permit such construction to begin before the conservation reserve contracts expire. If a conservation plan does not require structures the Committee does not believe any additional time after contract expiration need be provided for a participant to meet this plan.

This section also amends the FSA of 1985 by providing that lands enrolled into the conservation reserve prior to the date of enactment of this bill shall be subject to the highly erodible lands provisions of the FSA when they leave the conservation reserve.

With regard to any highly erodible lands entering the conservation reserve after the date of enactment of this bill, the FSA is further amended so that these lands are required to meet the soil loss tolerance standard when they leave the conservation reserve to remain in compliance. The Secretary may specify a different erosion standard if it is determined that such a soil loss standard is not feasible on these lands. This provision reflects the belief of the Committee that the highly erodible land enrolled into the conservation reserve should, due to their productivity and rates of erosion, normally be in grass or some other conservation cover. Most other land that is today in range or pasture and is broken out of grass

for cropland use must meet the sodbuster requirement of the soil loss tolerance level. The Committee expects this same standard to be applied to lands after the conservation reserve contracts expire if they are enrolled after the date of enactment of this legislation, and believes landowners must be willing to protect this resource after the contract period. While the Committee has given the Secretary the discretion to alter this standard if it is not feasible for certain lands, such alterations should be granted only under the more extreme circumstance, where a clear case of economic hardship can be demonstrated.

Agronomic cropping on conservation reserve lands.—The Committee has provided for the planting of agricultural commodities between the rows of hardwood trees on conservation reserve lands. There are certain species of hardwoods that are planted with rows of sufficient width to make it economical to grow crops. In general, the Committee supports economic uses of conservation reserve lands, if they are possible without damaging the conservation cover and the associated environmental benefits from the land. Such economic uses increase the market income received by the participant from this land, and therefore reduce the size of the conservation reserve rental payments. In this manner, it becomes possible to obtain more hardwood tree planting on conservation reserve lands, providing valuable conservation and environmental benefits at a lower cost to the Federal Government.

The Committee requires that such trees be of at least three years of age before crops can be grown because the Committee believes this step is necessary to protect the trees. The required 50 percent or more reduction in rental payments paid by the Federal Government reflects the market value gained by the participant from the sale of the crops.

The Committee believes that there should be no net increase in erosion from these lands as a result of the production of crops. For this reason, these crops must be covered by an approved conservation compliance plan that meets the same soil loss level as if the lands were in conservation reserve-type conservation cover. Participants enrolling land into the conservation reserve must give up base acres on their farms. Similarly, the Committee does not believe any crops produced on these conservation reserve lands planted to hardwoods should receive deficiency payments.

Expiration of conservation reserve contracts.—The principles of soil conservation and farmland stewardship dictate that the most economically marginal, highly erosive lands in the conservation reserve should be left in conservation cover after the contracts expire. To achieve this goal to the maximum extent possible, the Committee has worked to remove any disincentives that would prevent it from occurring. Under current program rules, after conservation reserve contracts expire keeping land in conservation cover and not in program crops means that the farmer would lose these base acres. For this reason the Committee has provided that the Secretary may extend indefinitely the protection of crop acreage bases, quotas and allotments on conservation reserve lands after the contracts expire if the owner or operator agrees to keep the land in the conserving uses that were required under the contract.

Study and treatment of post-contract conservation reserve lands.—One of the more important conservation issues the Nation must address in this decade will be how to treat conservation reserve lands as their contracts expire. The expiration of conservation reserve contracts will have far reaching consequences for the effectiveness and costs of commodity supply control programs and conservation programs like conservation compliance and the Department's water quality initiative. Lands leaving the reserve will also have substantial effects on the crop and livestock sectors, and the regional and rural sectors of the economy. Numerous issues need to be examined before Congress can formulate policies for the conservation reserve lands beyond 1995.

These questions include the following. Which lands currently enrolled into the conservation reserve should, according to the principles of conservation and farmland stewardship, remain in permanent cover? What are the alternate uses for cropland currently enrolled into the conservation reserve? What are the environmental implications of these alternative uses? What are the economic implications of these alternative uses to national, regional and rural economic activity? What are appropriate and effective policies and programs that may be implemented to maintain environmentally sensitive CRP lands planted to grass and trees? How can conservation reserve lands be integrated with other commodity supply control programs to reduce government expenditures and at the same time meet sound conservation and environmental principles? What are the options for maintaining conservation reserve lands in a long-term retirement program? What are appropriate management options to protect base acreage for conservation reserve lands? These and many other questions need to be examined thoroughly and the results reported to the Committee by the end of 1993 to provide time for Congress to prepare for the 1995 farm bill.

The Committee believes it is necessary that the Secretary assemble a broad, multi-disciplinary study team that can provide a practical and useful document for policy-making purposes. The disciplines participating should include natural resource managers, economists, commodity program specialists, and biologists, among others. Many of the agencies within the Department have practical experience with implementing and analyzing this program, and the Committee believes this expertise should be drawn upon. The regional effects of the CRP can vary considerably, and as a result the Committee believes this team also should include persons from affected regions who are able to provide region specific detail and relevant analysis.

The Committee believes that there will be lands in the conservation reserve that should remain in conserving use. For this reason, the Committee has provided that the Secretary may extend contracts on conservation reserve land as they expire, or convert such contracts to long-term or permanent easements. The lands to be made eligible for these extensions or easements shall be identified according to the results reported in the above study.

The Committee notes that forestry authorities are created in Title XV of this bill which can provide significant incentives to conservation reserve participants who planted trees to keep their lands in trees. The Forest Stewardship Program will provide finan-

cial assistance to forest owners and operators to carry out various management practices designed to enhance and maintain the environmental and forestry benefits of their stands. The Committee believes the Secretary should explore the potential for using this program to preserve and protect the tree cover on conservation reserve lands, and work to educate participants about the possibilities and options provided by this program.

Wetlands Reserve Program

Background.—Since colonial times, many millions of acres of wetlands and wet soils have been drained or otherwise converted to various uses, primarily for cropland and pasture purposes. A recent review of statistics places the amount of wetlands in the lower 48 states during the colonial period at 221 million acres. 117 million acres of these wetlands have been converted to date. The majority of the remaining 104 million acres are in private hands, but a substantial number are located on public lands.

From the 1950's to 1970's approximately 12 million acres of wetlands were converted, 87 percent for agricultural purposes. The mid-1970's until the early 1980's was a period of strong commodity prices and significant expansion in general in the agricultural sector. 6.3 million acres of land (wet soils and wetlands) were drained between 1975 and 1985, and of these, estimates are that 2.8 million were wetlands, or an average rate of 280,000 acres per year.

Since 1985, the most reliable source of data on agricultural wetland conversions are the determinations made by the Soil Conservation Service (SCS) under the wetland conservation (swampbuster) provisions of the FSA of 1985. This estimate of the number of wetlands converted is necessarily incomplete. SCS has conducted these determinations only for roughly one-third of the country. For the areas of the country that have been covered, the estimates include only those wetlands converted by persons receiving Federal farm program benefits. The SCS numbers also do not include wetlands converted under a swampbuster "commenced" determination. Since December 1985, SCS reports that approximately 82,000 wetland acres have been converted.

These wetland conversions for agricultural purposes, averaging almost one half a million acres per year since the colonial period, were until the late 1960's carried out with full support from the government and the general public. During much of this country's history, wetlands and swampy areas were seen as having little benefit and value to a developing nation. Crop and forage yields can increase dramatically when areas are drained, and the incidence of insect-borne disease is closely related to proximity to wetland areas. These facts provided powerful incentives and support for early settlers and pioneers seeking to convert these areas into productive lands.

The Swamplands Acts of 1849, 1850 and 1860 transferred approximately 65 million acres of Federally owned wetlands to 15 States on condition that the proceeds from their sale be used for reclamation. Drainage districts were formed starting late in the 1800's to provide for the construction and maintenance of major drainage water outlets and systems. Other major Federal actions included the Reconstruction Finance Corporation (1935), the Flood

Control Act (1944) and the Federal Watershed and Flood Prevention Act (1954). All of these provisions supplied funds and technical assistance for the construction of drainage facilities throughout the country and helped make possible the millions of acres of wetlands conversion described above.

Recently, public support for wetlands conversion has changed dramatically, reflecting a new concern for the environmental importance of wetlands. Wetlands provide habitat for fish and wildlife, reduce floods and improve ground and surface water quality, and provide recreational areas. The National Environmental Policy Act (1969), the Federal Water Pollution Control Act (1972), Executive Order 11990 (1977), and recently the swampbuster provisions of the FSA of 1985 and the Tax Reform Act (1986) all reflect a strong and growing commitment to protecting wetlands and their numerous environmental benefits.

The Committee recognizes the role that agriculture has played in the conversion of wetlands in this country, and that recent data suggest that hundreds of thousand acres of wetlands continue to be converted for agricultural purposes each year. These conversions, if conducted in accordance with existing Federal, State and local law, are within the rights of agricultural landowners. But, the Committee believes it is important for agriculture to recognize the environmental and societal benefits of wetlands and the industry's role in the loss of these important resources, and make a commitment to restoring and protecting them.

Legislation.—For this reason the Committee has created the Wetlands Reserve Program (WRP). The WRP provides private landowners with cost-share funds to restore previously converted wetlands to wetlands status, and subsequently protects them with long-term or permanent conservation easements. The Federal Government shares 50–100 percent of the costs of restoration, depending on the length of the easement. The land-owner, in agreeing to the easement, exchanges certain use rights for compensation that does not exceed the fair market value of the land.

The Secretary is directed to enroll, to the extent practicable, 1 million acres of land by crop year 1995. These acres shall be counted towards the 25 percent county cropland limitation established for the CSP (including those enrolled into the conservation reserve).

Eligible lands.—The incentives in Federal agricultural programs for the conversion of existing wetlands have been removed under the FSA swampbuster provisions, as amended in this bill, and by other provisions relating to the use of credit funds. Other Federal and State statutes provide substantial protection to wetlands. The Committee believes this protection already afforded existing wetlands means greater priority must be placed on restoring and protecting wetlands that have either been converted to agricultural uses, or that have lost wetland characteristics as a result of being farmed. For this reason the Committee has made eligible for the wetlands reserve wetlands that were converted prior to December 23, 1985, or farmed wetlands. In limited circumstances, certain non-converted or non-farmed wetlands are made eligible for the program.

Converted wetlands are those that have been manipulated for the purpose of or having the effect of making the production of an agricultural commodity possible, and as a result have had some or all of the natural wetland characteristics destroyed. Farmed wetlands are those that have received some manipulation and are cropped intensively enough that the wetland values are impaired.

Currently, there are estimated to be 55 million acres of cropland with wetlands-type (hydric) soils. Many millions of these acres still have the basic characteristics of wetlands, and if water is restored or if intensive agriculture practices are ended can become quality wetland environments providing substantial benefits. Often the restoration work will involve relatively inexpensive changes such as the plugging or breaking of a drain, or the plugging of a ditch to keep water from moving off the land. The Committee believes the limited availability of funds makes it important that restoration and protection efforts be focused on these areas since they have a high probability of providing substantial wetland benefits at a low cost.

If there are existing wetlands on a property entering the WRP that do not otherwise meet these eligibility criteria, the Committee has provided they can be included in the easement as long as they add to the functional value of the restored areas. Except for the costs of incorporating these existing wetlands into the protected area, the Committee does not believe cost-share funds should be expended for these existing wetlands.

Wetlands that have been converted since 1985, while not necessarily in violation of swampbuster, are not conversions the Committee believes should be rewarded by now making them eligible for the wetland reserve. For this reason, such wetlands are not eligible for the program.

It is the intent of the Committee that the wetlands reserve complement and supplement, and not unnecessarily compete with or supplant, Federal, State or private wetland restoration efforts. The Committee believes the Secretary should consult with officials in these other programs to establish priorities for lands enrolled into the reserve, and to coordinate where the wetlands restored and protected under the wetlands reserve will be located relative to those restored under these other efforts.

Wetland functional values.—A wetland is a complex ecological system that includes much more than just wet soils. A combination of standing water or saturated soil conditions, herbaceous and or woody vegetation, and transitional vegetated buffer areas are all required to produce a high quality wetland. The one million acres made eligible for the WRP are intended to include all of these functions, as appropriate for the region and the natural wetlands found in the area. Restored wetlands in the prairie pothole region might include the wet area, native grasses and other appropriate vegetation, and sufficient upland area to provide adequate habitat. In the Mississippi Delta region, bottomland hardwood trees would be appropriate along with native herbaceous vegetation in either the wet or upland area.

The Committee has provided that the Secretary use a Wetland Easement Conservation Plan (Plan), which will establish how the area in question will be restored and maintained. The Plan also de-

fines what activities are permitted and prohibited on the protected areas. A number of activities can provide economic benefits to the landowner and reduce the cost of purchasing the easement, while protecting the wetland functional values. Managed haying, grazing, silvicultural practices, timber harvesting, and contract hunting can all be consistent with protecting wetland functional values, and the WRP does not preclude such activities from occurring. Such practices, however, must be agreed to in the Plan by all concerned parties, and must not result in the degradation of the wetlands involved. In general, these and other activities are prohibited unless specifically permitted.

The Fish and Wildlife Service (FWS) has considerable expertise in the identification of quality areas with a high probability of successful conversion, and in the development and implementation of wetlands restoration and protection plans. The Committee acknowledges the skills and experience of the FWS in these areas, and requires that the FWS must concur with the Plans that are developed.

Easements.—The Committee believes that these restored wetlands should be protected indefinitely, barring changes in natural conditions or major and unforseen circumstances. The preferred method for this type of protection is the use of conservation easements. Easements ensure that the investment made in these resources can be sustained, while providing the landowner with fair and appropriate compensation for the rights in the land. The Committee has provided for the use of both 30 year and permanent easements, but wishes the Secretary make every effort to use the permanent authority. The cost-share assistance rate for the permanent easements is set higher than that for the 30 year easements to provide an incentive for the use of the longer instrument.

The Committee has not established the process by which persons will seek and gain acceptance into this program, or the process that will be used to accept these offers and establish the appropriate rate of compensation. But, in general, the Committee intends that the landowner be paid fair market value for the land, net of any value the landowner might receive from the economic uses of the wetland. For instance, a converted wetland might have been cropped and after restoration will be grazed in a manner consistent with protecting the wetland values. The rate of compensation in this case should be the fair market value net of the value of the grazing. The Committee has provided that the Secretary may use a bid system to establish this value, but does not believe that this is necessarily the best method available.

The Committee has provided that the payments to WRP participants in compensation for the easement may be made over a period of 5 to 20 years. These payments can be of equal size or unequal size throughout the payment period, as agreed to by the Secretary and the participant.

Cost-share payments to participants should be made as soon as possible after the obligation has occurred. The cost-share assistance is to be provided for restoration costs as well as any protection costs that may be paid by the landowner, including those costs for complying with the Plan.

Technical and conforming amendments.—The Conservation Reserve Program is renamed the Environmental Acreage Conservation Reserve Program, and other conforming changes are made.

Soil and Water Conservation Amendments

Definition of an agricultural commodity.—Current law requires farmers, if they are to remain eligible for Federal farm program benefits, to be actively implementing their conservation plans on their highly erodible lands planted to agricultural commodities. Agricultural commodity is defined in the law to be a commodity planted and produced by annual tilling of the soil. Technically, acres set-aside under an acreage reduction program are not necessarily planted to an agricultural commodity. As a result, highly erodible set-aside acres do not have to meet conservation compliance.

The Committee believes it is important that producers meet the same requirements on their highly erodible set-aside acres as are required for those planted to the commodity. For this reason, the Committee has changed the definition of an agricultural commodity to include any commodity "considered planted". Set-aside acres are considered planted to the program commodity for base acre calculation purposes.

Tenants and conservation compliance.—Under current law and regulations, tenants are denied Federal farm program benefits on all program crops they produce if they do not meet the requirements of conservation compliance. The landlords of these tenants are also denied benefits on all crops in which they have an interest if the landlord is the farm operator in a crop-share leasing arrangement with the tenant. The Committee believes that both the tenant and landlord are responsible for how the highly erodible lands are managed, and believes that denial of benefits to both parties is appropriate.

The Committee recognizes there are certain limited circumstances where tenants, due to the actions of landlords, will not be able to implement a compliance plan on the landlords' property. For instance, the capital investment for the construction of structures, if they were to be required in a compliance plan, may be prohibitive, and certain landlords could refuse to pay for such measures. Under such a circumstance, the Committee believes the tenant should work with the SCS to develop another compliance plan that will meet the erosion reduction requirements for the property in question and be acceptable to the landlord.

If a landlord continues to refuse to allow such a plan to be implemented, and there is no scheme or device being used to avoid the requirements of conservation compliance, the Committee has provided for a limitation of the sanction. The tenant in such a case will be denied program benefits on only that farm for which the violation occurs. The landlord will be denied program benefits on all crops, on all farms, in which the landlord has an interest.

Content of compliance plans and database requirements.—The vast majority of compliance plans across the country are written to take farms to the soil loss tolerance level (T), primarily through the use of residue management systems or conservation structures. The residue required to be maintained on the ground in a substantial

number of these plans will often be higher than is achievable, and the cost of the structures will be prohibitive. The Committee recognizes that the SCS completed a major task of unprecedented size in mapping the highly erodible soils in this country, and writing compliance plans for essentially 100 percent of these acres. Yet, the Committee believes the extensive reliance on residue management systems and structural measures in these plans has resulted in missed opportunities for the use of other, management oriented, compliance practices that could be adopted by many farmers. For instance, simple plowing on the contour can substantially lower erosion, but this practice is rarely included in compliance plans.

As the conservation compliance program matures, farmers will often seek changes in their compliance plans. The reasons are varied. The mix of crop enterprises or the equipment complement can change on a farm, or a farmer can that realize the goals of his compliance plan are not attainable with the practices as written, or that the plan is too expensive to implement. In those instances where a farmer seeks to alter or refine a compliance plan, the Committee directs the Secretary to ensure that the farmer is presented with the widest range of effective, low cost, management-oriented techniques possible.

The implementation of conservation compliance provides a singular opportunity to study and understand the relationship between a broad range of soil conservation measures and the associated effects on the environment, crop productivity, and the economics of farming. It is imperative that information and data about this program and its effects be collected and maintained. As more and better information is developed in the various regions of the country, it should be possible to refine and improve on this basic program to treat the problem of soil erosion. This information on the economic and resource consequences will make it possible to better inform farmers of their options as they change their compliance plans. For these reasons, the Committee has instructed the Secretary to maintain national and state data on the practices adopted, the costs associated with such practices and the accompanying effects on the on and off-farm natural resources.

Non-commercial production of agricultural commodities.—This provision amends the conservation compliance provisions to allow the non-commercial production of commodities on a farm, if this production is on two acres or less. The intent of this provision is to permit non-commercial fruit and vegetable gardening to be conducted on farms on relatively small pieces of land without having to obtain a compliance plan for that land, although the Committee believes landowners should seek to cultivate this land according to conservation principles. This provision is not intended to allow producers to avoid the requirements and sanctions of conservation compliance by simply not selling crop produced on some small part of their farm that is not meeting its compliance plan.

Outreach to socially disadvantaged farmers.—The Committee feels that education plays a major role in helping farmers become stewards of their natural resources. There is concern in the Committee that more needs to be done to ensure that socially disadvantaged farmers be able to take full advantage of the technical and cost-share assistance provided by the Federal Government's conser-

vation programs. For this reason, the Committee has directed the Secretary to carry out an educational outreach program to socially disadvantaged farmers.

In carrying out this program, the Secretary should provide outreach and technical assistance to encourage minority farmers to apply for loans, grants, benefits, or entitlement provided under programs designed to foster greater stewardship and resource management.

To facilitate this effort, the Committee has authorized the Office of Advocacy and Enterprise to enter into grants and contracts, and other agreements in the furtherance of this section. The Committee intends for the Office of Advocacy and Enterprise to enter into grants with both educational institutions and community based organizations. The funding of these grants and contracts should be as evenly distributed as possible.

The community based organizations should have a demonstrated experience and commitment to socially disadvantaged farmers. Such community based organizations should provide documentary evidence of their past experience and commitment in working with this group prior to their application for assistance under this legislation, or of their ability to establish an organization to provide such services.

The Committee intends for funds made available to post-secondary educational institutions to give priority to 1890 Historically Black Land Grant Colleges; Indian Tribal Community Colleges and Alaska Native Cooperative Colleges; Hispanic Serving Institutions of Higher Education; and other educational institutions with a demonstrated experience in providing education, advocacy or other services to socially disadvantaged farmers in the region in which the institutions are located.

Programs to control the spread of weeds and pests.—Weeds and pests are proliferating on many conservation reserve acres, but without more complete technical information and better incentives for conservation reserve participants, little will be done to control the problem. Conservation reserve participants, particularly those that have the majority of their farms in the program, have little reason to spend time and money to control weeds and pests. Neighboring farmers and ranchers may be adversely affected as the value of their crops and forage drops due to the spill-over of these problems onto their property.

This section creates two provisions to deal with this problem. First, the Secretary is directed to develop a technical guide on weed and pest control for use by conservation reserve participants. These problems are region and site specific, and for this reason the Secretary is directed to consult with state and local experts on these matters, including the State Extension Services, State weed and pest control organizations as well as the SCS. All conservation reserve participants are to be given these guides for their use.

The second provision creates an incentive for participants to control these pests. An owner or operator who enrolls new land into the conservation reserve and has weed and pest problems on this land as a result of their failure to follow the recommendations of the technical guide will have their annual conservation reserve rental payments reduced. The reduction shall take place for pay-

ments received on all of their conservation reserve acres, not on just those that are having the weed and pest problem. The Committee has left the size of this reduction to be determined by the Secretary, but believes that it should be sizable enough to ensure participants will actively seek to control these problems.

Farmland Protection Policy Act

Identifying the effects of Federal programs.—Current law under the Farmland Protection Policy Act, as amended by the FSA of 1985, requires that the Secretary prepare an annual report to Congress on the progress made in implementing the provisions of this law. In particular, the Secretary is to report to the Congress on how the farmland protection provisions are being used by Federal agencies in their dealings with farmland. It is unclear in the statute whether or not Federal agencies are to report on the actual amounts of farmland they convert to non-agricultural uses. The purpose of this language is to require that the Secretary collect this information, and include it in the report to Congress.

Watershed Protection and Flood Prevention Act

Relation of benefits to agriculture.—The Small Watershed and Flood Prevention Act (PL–566) is a program designed to prevent flooding in smaller watersheds, where the treatment measures include retarding the rate of run-off from farm soils, and the use of small water storage and retention structures. Current law requires that small watershed flood control projects with dams that store more than 4000 acre feet of water must contain benefits directly attributed to agriculture in rural areas. The purpose of this provision in law is to ensure that projects of this size will help agriculture and rural areas. While such projects can have substantial urban benefits, in the view of the Committee this program should maintain its commitment to helping agricultural areas retain the water on the land, reduce run-off and protect water quality and the productivity of these soils. The Committee believes that all funds expended under the PL–566 program should have such benefits, rather than just those projects with structures that store greater than 4000 acre feet. For this reason the statute is changed to say all projects, no matter their size, must have rural upstream benefits.

Disposal of dredged material.—Under the current program, local project sponsors are responsible for purchasing 100 percent of the property and land rights necessary for the project. Part of the costs of a project are the costs of disposing of earthen materials generated by the excavation process for the water retention structure. This disposal often involves the purchase of land or the purchase of the right to dispose these materials on land. This section amends current law to clarify that local sponsors are responsible for all of the land acquisition costs for the disposal of these materials.

Wetlands easements.—One of the principles underlying the PL–566 program is that water should be retained to the extent possible on the land where it falls. Reducing the volume of water entering the small upstream tributaries means there is less volume moving downstream, decreasing the intensity and damage that can be caused by flood waters. It is not possible to retain all the water on

the land necessary to prevent flooding, and for this reason water retention or retarding structures of various sizes must be part of these projects.

Water retention and retardation can take several forms. Wetlands effectively serve these functions while providing ground and surface water quality benefits in addition to their wildlife habitat amenities. These benefits have been overshadowed by the desire and need to convert wetlands to cropland or some other agricultural use. PL–566 projects have sometimes led to the drainage of wetlands, as farmers use the flood water control system as outlets for drainage projects.

While the Committee recognizes the reasons for and the benefits from these actions (see the discussion of the Wetlands Reserve Program above), the Committee also recognizes the important natural flood control and other environmental properties of wetlands and believes they should be used in PL–566 projects. Using wetlands for flood control purposes will require the purchase of land rights in one form or another, costs normally the responsibility of the local sponsors. Since the wetland serves the same functions as a water storage structure, a construction cost normally the Federal Government's responsibility, the Committee has given the Secretary the authority to cost-share up to 50 percent of the acquisition costs for wetlands to be used for flood control purposes.

The Committee encourages the Secretary to promote actively the use of wetlands for this purpose. Wetlands can therefore be protected, water quality and wildlife habitats maintained and improved, all while providing low-cost flood control benefits.

Flood control cost sharing.—Under current law, the Federal Government is required to pay 100 percent of the construction costs for these projects, and as discussed above, local project sponsors must pay all of the land acquisition costs. The relative size of these categories of costs can vary widely from project to project, but because the Federal construction cost share is fixed the net result is that the Federal share of the total project costs often exceeds 50 percent. The other major Federal water resource agency programs are implemented so that the Federal share does not exceed 50 percent.

For this reason, the Committee has provided that the construction cost-share rate be flexible, but can still reach 100 percent. In establishing the actual rate for these projects, the Committee believes SCS should take into consideration the ability of the local sponsors to support a share of the construction costs. To the extent possible, SCS should seek to negotiate with project sponsors the Federal cost-share rate so as to ensure the total Federal share equals 50 percent. At the same time, the Committee does not intend for this provision to enable SCS to discriminate between potential projects on the basis of the local sponsors' affluence and ability to cover a greater share of construction costs.

Data retention.—The Committee believes it is essential that complete and accurate information be available on how the PL–566 program funds are expended, and the associated flood control and environmental effects. Summary statistics are needed so as to gauge, by State, how much is spent for each type of practice or structure included in projects, and the type and extent of benefits that are going to be realized from these practices and structures.

For this reason, the Committee has required that the Secretary collect and maintain comprehensive national and State data on these expenditures and their benefits.

Farmland Protection

Background.—In 1979 many legislators recognized that Federal policies and agencies outside the Department of Agriculture were having an effect on farmland usage in the United States. The Farmland Protection Policy Act of 1981 requires each Department to report to Congress whenever a policy will affect or has affected the use of farmland.

Many States also recognized that valuable farmland was being converted to non-agricultural uses because of the disparity in value between an acre of farmland and acre of land suitable for development in areas of growing vacation and retirement popularity.

Farmers face a tough choice between selling their land for development when the value in this use is much higher than its agricultural value. Many States began to set up programs to offer farmers an option, prior to its sale for non-agricultural purposes, to keep the land in agricultural uses. The State either alone or in conjunction with local governments and private non-profit groups would pay for a permanent easement on the property. The value of the easement would be the difference between the farming value and the development value of the land.

The various programs have become extremely successful and are putting stress on State budgets because there is never an opportunity to build a fund because there is always a greater need for funds than those available.

The Committee established a simple program, named Farms for the Future, to assist these States in setting up permanent self-sustaining revolving funds that would ease the financial burden for farmland preservation.

In light of the current fiscal environment, the Committee carefully designed this program as a guarantee with some interest subsidy instead of the more popular direct grants. Both States and the Federal Government are required to play a significant role in making the Farms for the Future program work. States are required to match Federal guarantee amounts to qualify for the interest subsidy. The Federal Government provides the interest subsidy and oversight of the guarantees. This partnership, by encouraging the serious participation of both entities, will help ensure that the program is responsibly administered and is successful.

The Farms for the Future program will sunset at the end of this bill and is designed to provide assistance to address a current and serious threat to farmland. Since the funds set up through the program are to be revolving and by nature, self-sustaining, there will be a permanent amount of assistance available in each participating State that will reduce the risk of losing important farmland because of a lack of available funds.

Legislation.—The Committee intends to ensure that the lending institution does not charge a rate of interest other than that normally charged to the State for other 10 year term loans, taking into account the Federal guarantee. The term "eligible State" is defined as any state with a land preservation program to begin in

effect on August 1, 1991. The Committee intends to encourage States currently considering a farmland protection program to begin a program by August of 1991. This section also encourages States to work with local governments and private non-profit organizations in order to achieve the best possible program.

The Secretary is directed to pay all of the interest on loans taken out and insured under this program for the first five years of each loan. For the second five years, the Secretary will pay the difference between the charged interest rate and the limited resource rate, but not less than 3 percent. By having all of the interest paid for the first five years, and an interest subsidy for the second five years, each State will be able to reinvest the interest accruing on the money and have a fully self sustaining fund within the 15 years of the program's initiation.

The Committee intends to allow States to apply for the Federal matching dollars on an annual basis, qualifying for up to $10,000,000 per year for a State/private investment of $5,000,000. Each annual guarantee shall be for 10 years.

Miscellaneous Provisions

Great Plains Conservation Program.—The Great Plains Conservation Program (GPCP), created in 1956, provides technical and cost-share assistance to help farmers and ranchers conserve, protect, develop, and utilize the soil and water resources of the Great Plains region. Farmers and ranchers are helped to prepare and implement a land use and treatment program that will prevent or reduce the effects of the severe and erratic Great Plains' climate. The program has been legislatively amended over time to make needed adjustments, and it has been extended twice, with the current legislative authority expiring in 1991. Appropriations have remained fairly constant at about $20 million annually over the last decade.

The GPCP is designed to deal with the specific resource conservation problems of the Great Plains, with 518 counties in 10 states from Montana and North Dakota to New Mexico and Texas eligible for the program. Participants enter into 3- to 10-year contracts with the Federal Government to implement a conservation treatment plan for the entire operating unit. The Federal Government provides financial cost share assistance up to $35,000 per contract for qualified conservation treatments. The participant must agree to carry out and maintain all treatments required in the contract regardless of whether or not they are cost-shared.

Private land user expenditures represent almost 50 percent of the total conservation funds expended under the GPCP. Soil erosion has been reduced a total of 123.9 million tons on 33 million acres of land. The program also increases available soil moisture, and improves the status, condition, trend, and level of desired plant species on rangelands.

Although the program has treated over 132 million acres in the 518 GPCP counties, nearly 185 million acres remain that need some degree of treatment.

The 1985 FSA requires all highly erodible cropland in the Nation to be managed under a conservation plan by 1995. Almost 50 percent of the nearly 118 million acres of the highly erodible land in

this country are located in the Great Plains, and many Great Plains farmers and ranchers are looking to the GPCP for assistance to meet conservation compliance. Nearly 3,000 applications are on file awaiting funding.

The Committee has reauthorized the program to the year 2001. Total funding authority has been increased from $600,000,000 to $1,200,000,000, or an average of $60,000,000 a year for the next 10 years.

The Committee is concerned, as it is with the conservation compliance program, that too much emphasis is placed on the use of conservation structures in the GPCP to deal with erosion problems. Terraces, diversions and grass waterways, while effective erosion control measures, are expensive. The SCS completed a GPCP evaluation in 1987, in which it was recommended that where possible, management-oriented practices should be substituted for structural conservation measures. The Committee believes this is a sound and important recommendation, particularly where comparable erosion control can be achieved, and intends for the Secretary to actively pursue greater reliance on management-oriented conservation practices.

Historical data on annual and total expenditures for each of the conservation practices that are authorized under the GPCP are not readily available, nor are such data available on the number of acres treated by each of these practices. This lack of data makes it difficult to determine the exact extent of the use of structures in the program. For this reason, the Committee has instructed the Secretary to collect and maintain comprehensive data on the conservation practices and activities under the GPCP. The Committee is interested in data on expenditure levels by conservation practice, acres treated by each type of conservation practice, likely on- and off-farm benefits from these practices, as well as any other information that would provide a clearer picture to the Congress and the public on how this program is implemented and the associated benefits and costs to the country as a whole.

The Committee also notes that the GPCP is now placing more emphasis on achieving greater water quality benefits. The Committee supports this change in emphasis, and believes this area of effort should be explored to the greatest extent possible. The Committee also would like to see the program used, to the extent possible, for the creation and maintenance of riparian vegetation zones and other wildlife habitats in the Great Plains.

Assistance for compliance with environmental laws.—The Committee recognizes that agricultural producers are increasingly being required to comply with State and Federal environmental laws. Accordingly, the Committee has enacted a provision that requires the Secretary of Agriculture to provide technical assistance, in the form of onfarm plans, to producers who request such assistance in order to comply with State or Federal environmental laws, prevent pollution, or protect water quality in areas designated by States as environmentally sensitive.

Record keeping for restricted use pesticides.—This section requires that private agricultural producers who are certified to apply restricted use chemicals keep records of such use. The content of the records will be based upon the requirements of the

State where the applicator is certified. Records are to be kept at the farm level. Records will be made available to State or Federal agencies which address pesticide use or the health or environmental aspects of pesticides.

Restricted use chemicals are defined by The Federal Insecticide, Fungicide and Rodenticide Act (Sec. 3(d)(1)(C) as those chemicals which pose a danger to the workers or applicators or the environment. These are potentially dangerous chemicals that applicators must be trained to apply.

The Committee believes it makes sense to require that these applicators keep appropriate records. Certification will be premised upon a commitment from the applicator to keep records and make them available to government agencies upon request. Records may not be disclosed to anyone other than the employees of the agencies involved.

Another condition of certification is that the private applicator will provide the name of a pesticide and its label information to medical personnel for purposes of treating a person who may be exposed to the pesticide in a timely manner. Failure to meet these requirements will result in loss of certification.

If there are no State requirements for commercial applicators, producers who are certified applicators in that State must maintain records that contain the name of the product, the amount used, the approximate date of use, and the location of each application. Such records must be kept for two years.

The requirements contained in this section shall not supersede the requirements of other Federal or State laws.

Information obtained from applicator records can be used to publish periodic reports or generate other types of aggregate information on pesticide usage, as long as the reports do not contain data used to identify or permit the identification of specific agricultural producers.

Integrated crop management program option.—Economic and environmental concerns have raised the question of agricultural sustainability in the public arena. One aspect of this concern centers on the effect of farm commodity programs rules on farming systems and practices. Commodity programs influence output mix and input use patterns through both their selectivity and their structure. Of particular concern is the effect on crop diversity and crop rotation.

Current income and price support programs provide assistance to an individual farmer on the basis of the quantity of program crops produced by that farmer. Farmers who use management practices and crop rotation systems to conserve resources and reduce their use of agri-chemicals may have stable or even increasing per acre yields. However, because these farmers plant resource conserving crops on what would otherwise be base acres planted to program crops, they necessarily produce fewer total program crops. As a result, these farmers tend to receive substantially fewer farm program benefits, a significant disincentive for the adoption of resource conserving management practices. This disincentive has been cited in numerous hearings and surveys by farmers as the principal impediment to more widespread adoption of integrated crop management systems. It has also been addressed in consider-

able detail in such reports as *Alternative Agriculture* (National Academy of Sciences), *Alternative Agriculture* (General Accounting Office), and *Beneath the Bottom Line* (Office of Technology Assessment).

The Committee has created the Integrated Crop Management Program (ICM) to begin to address these concerns. The purpose of the program is to reduce the existing program penalties to good stewardship and conservation practices for those farmers who voluntarily agree to adopt integrated crop management plans. The program is specifically geared to resource conserving crop rotations. It allows farmers to utilize more extensive rotations to conserve soil and water, improve soil fertility and tilth, and break up pest cycles.

More extensive rotations can save resources and help hold down production costs. For example, compared to continuous corn production, a small grain/clover corn-soybean rotation can reduce the need for nitrogen fertilizer substantially, would in most cases eliminate the need for corn rootworm insecticides, and reduce the need for herbicides by at least 25 percent. Additional, complementary cultural and other management practices can reduce agri-chemical use even further.

This program option is intended to complement the general flexibility provisions adopted by the Committee in the commodity program titles. Participants in this special program should be able to make use of the general flexibility provisions while also being afforded additional opportunities to plant resource conserving crops. While soybeans and other oilseeds are not included as resource conserving crops, it is expected that participants will make use of the general flexibility provisions to incorporate these crops into their rotations where appropriate.

Participants in the program will be required to develop and implement integrated crop management plans that deal in a comprehensive way with all farm resources. It is the intent of the Committee that these plans be complementary with, and in addition to, any Federal or State conservation and water protection requirements applicable to the participant. These plans will become the basis for a contract between the producer and the Secretary which includes a statement of the responsibilities and benefits of participation. These contracts shall be for a period of five-years from the time the producer has an approved plan.

To be eligible, a producer must adopt practices which will reduce any erosion on the farm to a non-degradation standard. In addition, the plan must incorporate practices that will minimize the potential for contamination or degradation of surface or ground water by sediment, fertilizers and other crop nutrients, agricultural chemicals, animal wastes or other pollutants associated with agricultural production. Finally, the plan must also specify the manner in which the participant intends to achieve significant reductions in the use of nonrenewable resources, including petroleum-based energy, fertilizer, and pesticides, compared to the normal or conventional farming practices in a given area, provided that such reductions would result in positive economic and environmental benefits. Practices may be phased in so that these soil, water, and non-

renewable resource goals can be achieved progressively over the life of the contract.

It is the intent of the Committee that both the Soil Conservation Service and the Extension Service assist participants with developing plans. The Committee notes that training programs in sustainable agricultural practices and systems are authorized in Title XIV and expects that these training programs will assist the agencies in providing technical assistance under the ICM program option.

The Committee further notes that Title XIV also requires the Department to develop technical guides and handbooks for this program and expects these guides and handbooks to serve as a basic resource in developing ICM plans. However, it is not the Committee's intent that the guides and handbooks be completed before producers can enter this program, nor is it the Committee's intent to limit ICM plans to the content of the technical guides.

Producers should be given as much latitude as possible to gear their farm plan to their particular needs and circumstances and the resources and requirements of the farm site. Plans may be revised, and re-approved, to allow producers to respond to changes in market conditions or technologies or to adjust and fine-tune the farming system. Any revision must continue to be consistent with the purposes of the program.

Producers may sign up for this program in any year beginning with the 1991 crop year. It is the Committee's intent that farm program participants be appropriately notified of the responsibilities and benefits of the special ICM option, and that the Department take all appropriate and reasonable steps to encourage participation in the program. It is further the Committee's intent that, to the extent that there is producer demand for the program, the acreage target be met each year. Producers should only be turned away if the program is fully subscribed.

The program is open to all otherwise eligible producers regardless of their previous experience with developing or implementing farm plans that attempt to meet the same goals as this program. Participants need not farm highly erodible land, nor farm in a area known to be vulnerable to ground water contamination, to be eligible, although the Committee would expect the Department to conduct special outreach in such areas and to promote this program option, where appropriate. Producers subject to conservation compliance should also be made aware of this program so that it can be considered in the context of cost-effective conservation plans.

Several farm program modifications are made for participants in the ICM program. On any program base acreage on which a participant plants an eligible resource conserving crop, the program base will be maintained as if the program crop had been planted. For resource conserving crops which are not harvested, including those which are plowed down and incorporated into the soil, deficiency payments will be made as if the program crop had been planted. For resource conserving crops which include a small grain crop, the small grain (excluding wheat and malting barley) may be harvested for grain and the residue may be grazed after the same 5-month period as applies to conserving use acres, and the producer will still receive the deficiency payment as if the program crop had been planted.

In implementing the acreage reduction requirement adjustment provision, the Committee intends that a reduction be made in the ARP or set-aside requirement proportional to the degree of supply control achieved by the overall ICM plan. The purpose of this provision is to allow producers to incorporate their crop rotation system into the ARP or set-aside and to provide some incentive in the form of additional payments for participation in the ICM program. If the ICM plan leads to as much supply management on a participating farm as that under an ARP or set-aside requirement, the participant should be assigned no ARP or set-aside requirement.

In order to provide participants with additional flexibility, the Secretary may exempt them from any cross-compliance requirement if they can show that such an exemption will assist them in meeting the goals of this program. Under this cross compliance waiver, producers would be able to build base, but it is the Committee's intent that this option would be precluded on any acres which are eligible for base protection under this program.

The Committee expects that the Secretary will collect and maintain normal and usual data on participation rates and program administration, and that such information will be available to the Congress and the general public.

Prohibition on use of loans for certain purposes.—The Committee recognizes that the Department, under current policy, has prohibited the use of direct or guaranteed loan funds for altering existing wetlands. The Department is commended for its policy in this area in support of the conservation of wetlands in the United States. However, the Committee has included this section in this legislation to endorse and reinforce this existing policy by placing it in statute, and thereby assuring continued conservation of critical wetland areas.

Provisions relating to compost use.—The Committee recognizes that there is a considerable solid waste problem in this country, and that many of these wastes can be composted to produce safe and economical sources of nutrients and organic matter for agricultural uses. Composting of such wastes could therefore help alleviate the problem of disposing solid wastes in landfills while aiding agriculture through the improvement of soil tilth and fertility. For this reason, the Committee has provided that the Secretary assemble a catalog of information that will help governmental entities, as well as private organizations and individuals, make better use of composting's contribution to alleviate the waste problem while benefiting agriculture.

The Secretary is also directed to conduct a study on the various means of producing and using compost, and to report on the results of this study to Congress. To the extent possible, the Committee intends for the Secretary to explore the multiple sources of materials for providing valuable compost, and the means by which such compost could be utilized in agricultural production.

Wetland Conservation (Swampbuster)

One of the fundamental principles that emerged during the deliberations on the 1985 conservation provisions was that Federal commodity program policy should be consistent with the Nation's

conservation goals. This principle is particularly evident in the wetland conservation provisions (swampbuster) of the 1985 Act.

Swampbuster currently denies Federal farm program benefits to any person who plants an agricultural commodity on a converted wetland. As stated in both the Senate and House reports in 1985, swampbuster is not intended to, and does not, regulate the use of private, non-Federal land. Participation in Federal farm programs is voluntary, and participation has always carried with it certain responsibilities, obligations and conditions. Congress, recognizing that society no longer believes Federal farm program benefits should contribute to wetland drainage activities, decided in 1985 that another valid program requirement was that participants could not produce annual agricultural commodities on converted wetlands. The Committee believes that, if anything, society's desire to protect wetlands has grown since 1985, and that swampbuster is still good, sound policy. For this reason the Committee has not changed the program's basic provisions.

Considerable attention was given to swampbuster, nonetheless. Debate centered on which wetlands are to be covered by swampbuster, whether there is room for farm manager flexibility in dealing with wetlands, whether the denial of 100 percent of program benefits fits the violation in all cases, and when should a violation be deemed to have occurred? Certain statutory modifications were made in these areas as a result of the debate.

The Committee recognizes the technical difficulties in implementing the law as enacted in 1985. Wetlands converted prior to December 23, 1985 were made exempt in the 1985 statute. Yet, it is not entirely clear how much manipulation or changes in the hydrology of the wetland actually constitutes a conversion. There are many millions of acres of wetlands that are farmed and have received some manipulation, but not enough manipulation to constitute "conversion" as defined in the 1985 FSA, since these wetlands still exhibit considerable wetland characteristics. The Department had to use considerable discretion in developing the regulations for addressing these areas.

The regulations are the result of substantial effort by Department professionals, close work with professionals in other Departments, and extensive public comment. These regulations distinguish between those wetlands that had received extensive manipulation and exhibit relatively few wetland characteristics from those wetlands that have received relatively less extensive manipulation (for instance those which are farmed under natural conditions) and exhibit substantial wetland characteristics. If further drained, these latter farmed wetlands are considered "converted" and the planting of a program crop on them would constitute a violation. Farmed wetlands may have some drainage already installed, and this system's original capacity can be maintained.

The Department has therefore established two important categories, "prior converted cropland" and "farmed wetlands". Prior converted cropland may meet the technical definition of a wetland, but will exhibit considerably fewer wetland functions and values and have received considerably more extensive manipulation than farmed wetlands. Farmed wetlands will have been somewhat manipulated, but still exhibit considerable wetland functions and

values. The Committee believes the farmed wetland category protects existing wetland functions and values while the prior converted cropland category accounts for the wetland conversion efforts of farmers. The Committee commends the Department for the effort in developing these regulations and the final product.

Swampbuster is still being implemented across the country. As of January 1990, SCS had completed wetland determinations for approximately a third of the Nation, with these efforts having been concentrated in some of the country's more crucial wetland areas. The techniques and methods used by the Department in this wetland determination process have gone a long way toward assuring farmers that this program can be reasonably implemented. In making wetland determinations, the Department requires substantial evidence over a period of years, including confirmation from different sources, for the existence of a wetland. The Department also consulted with the Fish and Wildlife Service, as required by the FSA of 1985, in the development of the criteria used in this wetland determination process. Once the Department has made their initial determination, maps with the wetlands designated on them are sent to the farmer or landowner, who are asked to review the materials and correct errors in these maps, subject to discussions with SCS personnel. The Committee believes this is a reasonable wetland determination process that should be continued throughout the country.

Minimal effects.—The Committee believes the wetlands that are afforded protection under swampbuster should provide wetland functions and values. The FSA provided for the drainage of wetlands where the effects were minimal, but report language indicated that this authority should be used sparingly. As a result, relatively few minimal effects determinations were made. Professional biologists report that there are wet areas on farmland or potential farmland that provide minimal wetland functional values, but that are still technically wetlands and subject to swampbuster. The Committee does not believe farmers should be precluded from draining or otherwise manipulating these areas for agricultural purposes, and for this reason has modified the minimal effects language in the 1985 Act.

Concerns were raised in Committee over the implementation of this minimal effect authority. It was noted that minimal effects determinations had been made under the 1985 Act, but only in certain parts of the country. The Committee intends for this authority to be implemented across United States.

Concerns were also raised over the specific criteria that will be used in making minimal effect determinations. The Committee recognizes there is a sound body of scientific knowledge concerning wetlands and their functions and values, and that the Department is using this body of knowledge with regard to minimal effects determinations. At the same time, this body of knowledge is changing over time as more is learned about these complex biological systems. For this reason, the Committee expects the Department, when making minimal effects determinations, to continue to use, to the fullest extent possible, available objective scientific criteria that reflect relevant changes that occur over time in the body of scientific thought.

The wetland functions and values that are to be protected under swampbuster encompass a broad range of natural resources and environmental benefits. In addition to the experience and skill of the SCS in dealing with wetlands, the Fish and Wildlife Service (FWS) has considerable on-the-ground experience with the protection and maintenance of wetlands. Recognizing their experience and the value of their involvement in decisions such as minimal effect determinations, the Committee has required that the FWS and the Soil Conservation Service (SCS) concur at the local level in minimal effect determinations. The Committee expects that in the vast majority of circumstances the SCS and the FWS will be able to agree at the local level, but in the event of a disagreement, the Department must have the final say in these decisions. For this reason, if the SCS and the FWS cannot agree at the local level, the decision shall be made by the SCS State Conservationist or a higher SCS official. The Committee intends for the State Conservationist to consult with the appropriate FWS official in making this decision. Both the State Conservationist and this FWS official should report to their respective Washington offices on any minimal effects determinations that are made by the State Conservationist.

Mitigation of converted wetlands.—The Committee is aware that many believe there are wetlands on farms that are "nuisance spots", wet areas that prevent the farm from being operated efficiently and effectively. The Committee believes the Department's wetland determination process has gone a long way toward ensuring that these nuisance areas with minimal wetland functional values are not being classified as wetlands. The minimal effect determination process established in this section is also intended to allow drainage or manipulation of wet areas with little or no functional values.

The Committee recognizes there are also wetlands found on farmland that do impede the operation of the enterprise, and the Committee recognizes there are circumstances where the operation could be greatly improved if the wetland were converted. At the same time, the Committee understands it is possible in certain circumstances to restore successfully to wetland status a previously converted wetland. Given the occasional need for a farmer to convert a wetland to cropland use, and the ability to restore wetlands in previously converted areas, the Committee has provided, under limited circumstances, for the conversion of wetlands if the loss of wetland functions and values is mitigated through the restoration of a wetland of equal value.

The wetlands eligible for conversion under this provision must be part of an active cropping operation. It is not the intent of the Committee to allow wetlands to be converted that are not truly needed within existing cropland to make the entire operation more efficient and effective, and for this reason has limited eligibility to only those wetlands that have been frequently cropped prior to the date of their conversion. Frequently cropped means that the wetland has been cropped more often than not.

There are many millions of acres of previously converted wetlands in this country that retain wetland characteristics; they often contain hydric soils, and if natural hydrology were returned would

support hydrophytic vegetation. The Committee believes that previously converted wetlands have a high potential for successful restoration, and for this reason has limited any mitigation efforts to these wetlands. A previously converted wetland is a wetland converted before December 23, 1985.

There is always a chance that a restoration effort will not be successful, and for this reason the Committee requires that the mitigation effort be completed before or at least concurrently with the conversion of the wetland. If there are any doubts as to the potential success of the mitigation effort, it should be undertaken before the conversion effort.

The Committee has prohibited Federal funds from being used to pay for this restoration effort. This prohibition includes not allowing these wetlands to be restored as part of the Wetlands Reserve Program.

The Committee has provided flexibility in the amount of acreage required in these mitigation efforts. In general, the Committee expects the mitigation effort will have to meet the conversion activity acre for acre to help ensure that no loss in wetland functions and values occurs. There are cases where an acre for acre exchange will not guarantee this loss will not occur. A one acre deep-water pond cannot replace four shallow wetlands each one quarter acre in size. Nor can one acre of marshlands in a critical waterfowl habitat area be replaced by an acre of similar marshlands in a non-critical area. In some situations the Committee expects that in order to create a new wetland or wetlands of equivalent functions and values, there will be situations where more acres of wetlands will have to be restored than those converted, but the frequency of this situation will be low. In no circumstance does the Committee intend for there to be a loss in overall wetland functions and values after mitigation has occurred. A wetland does not provide its functions and values in isolation of the immediately surrounding geographical and biological system. The Committee is concerned that our state of technical knowledge about the functioning of wetlands in such a complex system is not adequate to allow wetlands to be moved great distances and still retain the same characteristics and overall benefits. For this reason, the Committee has provided that a wetland restored in this process be located on lands in the same general area of the local watershed as the wetland to be converted. In general, the Committee believes the restored wetland should be as close as possible to the converted wetland.

The Committee understands that while it is possible to restore prior converted cropland to wetland status, the planning for and actual restoration of wetlands in the field is technically difficult and requires considerable practical experience. While the person who is converting a wetland and at the same time mitigating this conversion, is ultimately responsible for the success of the restoration effort, the Committee expects that the SCS and FWS will be fully involved in the development and implementation of the wetland restoration plan. The Committee recognizes that one of the primary functions of the FWS is the restoration and protection of wetlands in this country. For this reason, the Committee has required that the FWS concur with the development and implementation of these restoration plans.

The Committee expects the full technical expertise of the SCS and FWS to be employed to ensure that such mitigation efforts result in the creation of a wetland with equivalent values and functions as that from the wetland that is converted. The Committee also expects that in the vast majority of circumstances the SCS and the FWS will be able to agree on the development and implementation of the wetland restoration effort. As in the case of the minimal effects determinations, in the event of a disagreement, the Department must have the final say in these decisions. If such disagreements occur, the Committee has established the same procedures for resolving these disagreements as were established for the minimal effects determination process.

The Committee believes the person converting a wetland and mitigating this loss through the restoration of a wetland must ensure that this restored wetland be protected from conversion. If the original wetland, after being converted to cropland, is subsequently converted to a non-agricultural use (i.e., a road or building), it would not be subject to swampbuster. This conversion would be subject to other Federal statutes outside the jurisdiction of this Committee (for instance, section 404 of the Clean Water Act). For this reason the Committee believes the restored wetland should be protected as such for as long as the converted wetland remains in cropland use, or in uses that make possible the production of agricultural commodities, or until the converted wetland is returned to wetland status.

The Committee is concerned about how these restored wetlands will be protected in the future as ownership of the property changes. Where the restored wetland is located on property owned by the person converting the wetland, protecting the restored wetland is the responsibility of this person. If this property is sold, or if the restored wetland is not on property owned by the person converting the wetland, then the restored wetland must be recorded on the deed and protected as such.

The landowner or operator is ultimately responsible for the long-term maintenance of any restored wetland created in this mitigation process, provided that natural conditions do not otherwise destroy the wetland functions and values. The Committee wants additional oversight to be conducted by the Secretary, or his representative, to the extent necessary to ensure the continued success and effectiveness of these restored wetlands. The long-term success of certain restoration efforts of some restored wetlands will require more oversight than others, and the Committee intends for the Secretary to use discretion in determining the frequency and scope of this monitoring effort.

Graduated Sanctions.—Another issue that received considerable attention in Committee was the size of the sanctions that are imposed on persons who violate swampbuster. Concerns were expressed that it is inequitable to deny a farmer 100 percent of his or her farm program benefits if the farmer had made a good faith effort to comply with the provisions of the law. For instance, existing drainage ditch systems on farmed wetlands can be maintained if the maintenance activity does not expand the size of the drainage system beyond its original capacity. If, when cleaning a drainage ditch, the farmer deepens it beyond its original capacity by

some minimal amount (e.g., one-half of an inch), the farmer has technically "converted" this wetland, and cannot plant an agricultural commodity on the area without being in violation of swampbuster.

The Committee recognizes the possibility that farmers could make errors in good faith while trying to comply with swampbuster, although the Committee also believes that this possibility diminishes greatly the longer swampbuster is in place and farmers learn what the program requires. For this reason the Committee has provided that a person who violates swampbuster once over a period of ten years on a farm, and who acted in good faith to not violate these provisions, will forfeit $750 to $10,000 of Federal farm program benefits. The size of the forfeiture depends on the seriousness of the violation, as determined by the Secretary.

The Committee does not believe that an error made in good faith that has resulted in the diminishment or degradation of wetland functions and values justifies losing those functions and values permanently. If the person who has violated swampbuster under these circumstances does not restore the converted wetland the Committee has provided that all program benefits be forfeited in subsequent years. The Committee intends for these restoration costs not to be paid by the Federal Government.

As in the case of provisions regarding the mitigation of converted wetland functions and values, the landowner or operator is responsible for seeing that this restoration effort be successfully completed and maintained over time, but the Committee expects the SCS and the FWS to provide technical assistance. The Committee has required that the FWS and SCS concur on any restoration plan developed in these instances. The Committee also established procedures for resolving any SCS and FWS disagreements at the local level identical to those for resolving disagreements when these two agencies make minimal effects determinations. As in the case of the mitigation provisions, the exact same Secretarial monitoring and oversight provisions apply to wetlands restored under these graduated sanctions provisions.

Point of Violation.—The Committee has also changed the point at which a violation of swampbuster is deemed to occur. Currently, a person may drain a wetland and not be in violation of swampbuster until the person produces an agricultural commodity on that land. Therefore, a person can produce on the converted wetland during a time of high commodity prices and stay out of the production adjustment programs. During a year of low commodity prices, the person can simply not produce on the converted wetland and regain eligibility for farm program benefits. The functional value of the wetland, however, is lost as long as it is converted.

This new provision holds that a person who converts a wetland for the purpose, or to have the effect, of making the production of an agricultural commodity possible on the converted wetland shall be ineligible for farm program benefits. This ineligibility would remain with this person until the wetland was restored or until the person transferred the land. A subsequent purchaser of the land would only be determined to have violated the swampbuster provisions if that purchaser actually produced an agricultural commodity on the converted wetland.

If a person converted a wetland for purposes other than agricultural production and then carried out those other purposes (such as construction of a building or a road), that person would not be ineligible for farm program benefits under the proposal.

The proposal also provides a clear statement that any person who is determined to have violated the swampbuster provisions may cure that violation for a subsequent crop year by restoring the converted wetland to its prior wetland state. Current law does not explicitly provide for the restoration of a converted wetland as a means to end any penalties under swampbuster.

The Committee supports USDA policy and practices to hold harmless and not penalize producers for actions undertaken with the approval of USDA personnel and representatives. The Committee believes that this policy is particularly important to ensure that producers who acted in reliance upon such approval and undertook action, under a commenced determination, to facilitate the production of agricultural commodities only to later learn that USDA actions approving the commenced determination may be in error. The Committee believes that producers should be held harmless from all past, present and future violations that otherwise would result from the action that was undertaken as a result of such approval.

TITLE XIII—CREDIT

Background

Farmers Home Administration

Like many other Federal agencies, the Farmers Home Administration (FmHA) was originally created to meet the needs of a particular time—the lingering economic depression in the farm sector during the 1930's. The agency's programs have been greatly expanded and revised as conditions have changed over its 50-year history.

During the last two decades, Congress created additional nonfarm programs to benefit families and communities in rural areas. These programs have helped to provide safe, modest housing; modern, sanitary water and sewer systems; essential community facilities; and job- and economy-boosting business and industry in rural areas.

FmHA makes direct loans of up to $200,000 for farm ownership and farm operating needs. Lending criteria includes requirements that the borrower be unable to secure commercial credit, be a family sized farmer and be able to demonstrate a positive cash flow. FmHA also guarantees loans made by commercial banks for borrowers with a 10 percent debt service margin.

Steadily worsening farm financial conditions during the 1980's coincided with the need to reduce Federal spending due to the budget deficit. For FmHA's two most popular loan programs—the farm ownership and the farm operating loan programs—the total amount loaned on an annual basis has risen from $1.9 billion in fiscal year 1980 to over $5 billion in 1987. This amount has fallen to $2 billion in 1989. As a result of this and other factors, there is a continuing interest in making sure that FmHA is meeting its role

of lender of last resort and in that role, being a provider of supervised credit.

The most recent legislation regarding FmHA was the 1987 Agricultural Credit Act (1987 Act). This was the most extensive revision of FmHA regulation ever. FmHA was in serious trouble holding a large portion of outstanding farm debt in the country backed by land that was rapidly declining in value. It was obvious that borrowers were not going to be able to carry their original loans that had been collateralized with land that was, in many cases, worth only half of its original value. To further distress the loans, borrowers were facing commodity prices that were declining as well. The 1987 Act required the Secretary to protect borrower's rights while mapping a way out of the financial situation facing FmHA at the time.

The 1987 Act has stabilized many of the loans that were simply under-collateralized because of farmland values, but it has not been successful in keeping many of the farm families it was intended to protect, on the farm. Restructuring provisions under the 1987 Act were intended to give borrowers a genuine attempt at resolving their financial problems. If a borrower was not able to restructure his loan for less than it would cost FmHA to foreclose on the loan, he was offered a chance to buyout the loan for the net recovery value of the loan. Unfortunately, most of these borrowers were so deeply indebted that restructuring was a possibility but it left them with under $100 cash flow. To avoid a buyout, many borrowers decided to try to make it on the slim margin. Over 70 percent of these borrowers are again severely delinquent and will, most likely, need to face the fact that their debt is too burdensome to overcome.

In the two years since the 1987 Act, it has become clear that a few of the provisions need to be clarified or refined. It is also clear that FmHA needs to return to its original ability to help risky borrowers through helpful, supervised credit.

The Farm Credit System

The Farm Credit System (FCS) is the single largest lender in the agriculture community holding approximately $50 billion of the $175 billion in farm debt outstanding. This accounts for 25.8 percent of the total, but shows a continuing decline in the FCS market share from their peak of 32.5 percent in 1981.

The System is comprised of 15 banks (a combined Federal Land Bank, and Federal Intermediate Credit Bank in each of the 12 districts and Banks for Cooperatives in Springfield and St. Paul as well as a National Bank for Cooperatives in Denver) and about 272 local associations which deliver credit to farmers and ranchers. Each of these banks is a separate corporate entity tied to the other banks by the issuance of consolidated notes and bonds that are the joint and several liability of all 15 banks. In the 1987 Act, an insurance corporation was set up to protect the System and minimize the possibility that this joint and several liability will be used. The Farm Credit System Insurance Corporation (FCSIC) will be operational in January of 1992. Until then, the 1987 Act set up a Temporary Assistance Board to provide assistance to System banks until the FCSIC was fully funded.

Although System entities are not Government-owned or controlled, the System is a "government sponsored entity." This status affords it a preferred place in the money markets, even though the System's bonds and other debt instruments are not guaranteed by the Federal Government.

The System is regulated by the Farm Credit Administration that conducts yearly audits and examinations of the System and will eventually run the FCSIC.

Since the 1987 Act, the financial condition of the System has improved dramatically. Only The Jackson Federal Land Bank had to be liquidated and only about one quarter of the $4 billion in assistance made available in the 1987 Act has or is expected to be used.

Purpose and Need

SUBTITLE A—FARMERS HOME ADMINISTRATION

Section 1302 sets the minimum standard for experience required for a farm ownership loan at 3 of the last 5 years with at least 1 being actual on-farm experience.

Section 1303 reauthorizes the soil and water conservation loan program, revising it to place the sole focus of the program on conservation. Under the terms of this section, producers seeking conservation loans would be required to meet regular FmHA eligibility criteria and use the loan for one of the conservation purposes enumerated in the new language. Land development costs would no longer be financed with these funds.

While the soil and water loan program has become smaller in recent years, the Committee expects there to be an increasing need for conservation loans during the next five years as deadline approaches for the implementation of conservation plans. The Committee intends that existing funds can be stretched as far as possible to serve current credit needs and that additional resources should be made available to the program in the next few years if the expected increase in demand materializes. The Committee intends that loans made under this authority will continue to be modest in size, so that the maximum number of borrowers can be served.

It is the intent of the Committee that priority access to loan funds be given to eligible borrowers who use the loan to build conservation structures or establish conservation practices to comply with section 1212 of the Food Security Act of 1985. In addition, the Committee intends for funds to be made available to eligible borrowers who need financing to cover costs associated with implementation of farm plans under Agricultural Water Quality Incentives Program and the Integrated Crop Management Program Option included in the conservation title of this bill.

Section 1304 revises the limited resource rate calculation for farm ownership loans so that the interest rate will be the same for both ownership and operating loans.

Section 1305 allows Hawaiian natives to receive operating loans even though they cannot give first liens on their land to FmHA because they are under the Hawaiian Homes Act and do not have title to their property. As currently allowed in the rural housing

program, the guarantee of payment by the Department of Hawaiian Home Lands will be considered sufficient.

Section 1306 sets the same minimum experience requirements for operating loans as previously set for ownership loans.

Section 1307 revises the limited resource rate for operating loans so that it will not differ from the rate set for ownership loans.

Section 1308(a) allows FmHA to use debt settlement programs in any of its loan programs, not just farmer program loans.

Section 1308(b) allows FmHA to charge interest on interest that is less than 90 days delinquent. Currently, when FmHA reamortizes a loan, the principal and only the interest due over 90 days could be reamortized. Interest due less than 90 days would have to be carried as a non-interest bearing loan. The Committee recognizes the difficulties this causes FmHA.

Section 1309 requires the Secretary to document in writing in the borrower's file the Secretary's approval for the transfer of a borrower's security property. The Committee understands that while by regulation, county supervisors are to document their approval for the transfer of security property, this is not always done. As a result, a borrower could be found in technical violation of the security agreement if the county supervisor denies giving such approval. Because the Committee has extended the criterion that a borrower must act in good faith to be eligible for a net recovery buyout and preservation rights, it is increasingly important that small technical errors, such as inadequate documentation of the approval for the sale of security, not become reason for denial of primary loan servicing, buyout, and preservation rights for borrowers.

Section 1310 requires the Secretary to include debt settlement programs in the notice of loan servicing programs provided to borrowers who are 180 days delinquent. A number of borrowers had voluntarily conveyed their property to FmHA prior to passage of the Agricultural Credit Act of 1987, but had not received final debt settlement. These borrowers were sent Notices of the Availability of Loan Servicing Programs under the Act, yet did not qualify for primary loan servicing since they no longer held collateral. These borrowers were required to apply for restructuring prior to receiving final debt settlement. Also, many borrowers who retained their security property may meet the criteria for the "adjustment" or "compromise" debt settlement programs. This provision will ensure that such borrowers, and other delinquent borrowers are notified of the availability of debt settlement programs, as an option to primary loan servicing. It is the intention of the Committee that the Secretary follow the normal regulation process and publish a new notice in the Federal Register. Therefore the Committee allows 120 days from the date of enactment of this title for the Secretary to begin the use of these new notices.

Section 1311 recognizes the advantages of having FmHA use commercial standards and forms in its lending. Borrowers should be graduating to commercial credit and should be familiar with the forms and standards used in order to facilitate graduation to private lenders. Lenders should also make greater use of the FmHA guarantee program if commercial forms and standards are used. The Committee expects FmHA to consult with the Committee upon completion of this contracted study on loan approval and borrower

selection criteria prior to changing FmHA regulations. This section is not intended to allow the Secretary to waive Section 331F which prohibits the Secretary from issuing final regulations providing for the use of ratios and standard for determining the degree of potential loan risk until the Secretary has submitted a study and report of the effect of such regulations on borrowers.

Section 1312(a) allows the election of a FmHA-eligible borrower to a county committee, in the case in which the Secretary has already appointed a county committee member who is a FmHA-eligible borrower. Currently, only one FmHA eligible borrower may serve on a county committee.

Section 1312(b) requires the Secretary to mail ballots to persons eligible to vote for the election of county committee members in cases in which the timing of such mailing would correspond with the mailing of ballots for the election of the county committee members for the Agricultural Stabilization and Conservation Service (ASCS). The Committee is concerned that participation in county committee elections is low even though all farmers in the county or area are eligible to vote. This is partially due to the fact that farmers must travel to the county office to vote. The Subcommittee on Agricultural Credit received testimony suggesting that the mailing of ballots would increase voter participation. Due to the high cost of mailing ballots each time a county committee election is required, the Committee has decided to require such mailings only when they can be combined with ASCS county committee ballot mailings.

Section 1312(c) requires the Secretary to provide annual training of county committee members on all job responsibilities, and to develop and provide a county committee training manual to all county committee members which is to be updated in a timely manner to reflect changes in law or regulations. The Committee is concerned about reports that county committees are sometimes ill-trained and unfamiliar with the law and regulations which guide their decisions. This provision is intended to ensure that county committees have accurate, up-to-date information on which to base their important decisions.

Section 1313 recognizes that it is burdensome for the county committee and potential borrowers to require eligibility determinations each time the borrower applies for a new loan. This provision allows the county committee to use the eligibility determination for two years so that an applicant's eligibility does not have to be redetermined in the second year as long as the county committee agrees that it is still valid. The committee does not intend that denials of loan eligibility shall be effective for two years. Rather, an applicant who is denied eligibility may reapply the following year.

Section 1314 replaces current law that makes FmHA reject business and industrial loan applications simply because funds are not available. This section will allow FmHA to hold any qualified applications until such funds are made available. The Committee expects FmHA to notify the applicant of the pending nature of the application due to lack of funding within a reasonable period of time.

Section 1315 requires a county committee or FmHA employee, in a case in which a FmHA decision is overturned by the national ap-

peals division, to implement the decision within a reasonable time unless the decision runs counter to statute or regulation, or is being reviewed through the administrative agency review processes established by law (7 C.F.R. 1900.61, January 17, 1990). The Committee is deeply disturbed by testimony and reports that some State Directors and county supervisors have refused to implement appeals decisions. This is counter to Congressional intent in establishing an independent appeal process under the Agricultural Credit Act of 1987. The Committee expects the Secretary to take necessary actions to ensure that these decisions are correctly and quickly implemented, including disciplinary action if needed.

The requirement that a county committee or employee of FmHA implement the decision of a hearing officer within a reasonable period of time is not intended to override or be inconsistent with 7 C.F.R. 1900.59(a), which provides that when an appeal is concluded, the effective date of the action to be taken will be the date of the initial decision from which the appeal was taken. Rather, the requirement to implement a decision is a requirement to implement it using the effective date specified in the regulations.

For example, if a pre-application for FmHA financing is rejected, and if the applicant appeals the decision and ultimately prevails, an employee of FmHA is required by section 1315 to implement the decision within a reasonable period of time, but it must be implemented with an effective date as of the date of the rejection of the pre-application which was appealed. Thus, if the pre-application would have been favorably reviewed and placed in line for funding had it not been rejected initially, when an employee of the FmHA implements the decision with respect to the appeal, the pre-application must be favorably reviewed and placed in line for funding in the same place and priority that it would have been in had the initial decision to reject not been made. Thus, Administrative Notice 1992(1944) should be withdrawn by the Secretary because it authorizes a lower-scoring pre-application to be placed in line for funding ahead of an appealed higher-scoring pre-application in such a manner as to make it impossible, if the appeal is ultimately decided in favor of the applicant, to implement the decision with the effective date stipulated in the appeals regulations.

Similarly, an FmHA loan applicant should be permitted by the Secretary to sign an obligation for funds or otherwise to take whatever actions are necessary or appropriate to continue the processing of a loan application, with a reservation of appeals rights as to issues not agreed to. In other words, the Secretary should not force an applicant for loans to elect between his or her appeal rights and proceeding with loan processing on terms that are consistent with the pending appeal. The Secretary should make every effort to avoid having pre-applications, applications, and loan processing slowed or delayed by the appeals process so that, upon resolution of the appeal, the decision resulting from the appeal can be fully implemented with the required effective date.

The Committee is also concerned about the agency review procedure established by 7 C.F.R. 1900.61, which provides for the review of a national appeal division's hearing officer's decision. The Committee expects this review shall not be used as a process for delay-

ing the implementation of decisions with which FmHA employees or county committees do not personally agree.

Section 1316 addresses several problems with inventory property.

Section 1316(a) allows FmHA to offer suitable inventory property for sale to FmHA eligible borrowers one year after the publication of availability following the expiration of all lease-back/buy-back rights. The Committee intends that the availability of all suitable inventory property whether acquired before or after the enactment of this subsection, be published at least twice for purchase by FmHA eligible borrowers within the 12 month period, as required by Section 335(c)(2)(D) of the Con Act.

1316(c) designates the principal residence and actual farm property as the only properties eligible for lease-back buy-back under previous owner's rights. For example, if FmHA has a lien on a gas station as part of a farm loan that goes into foreclosure, the borrower shall not have lease-back buy-back rights on the gas station, but rather shall have the rights to lease or purchase the principal residence and the real farm or ranch property.

1316(d) gives beginning farmers and ranchers a priority in purchasing inventory property.

1316(e) allows the transfer of qualified Indian land in inventory to the Secretary of the Interior, once first right of refusal rights expire for the previous owner, and once all tribal members, the Indian corporate entity or the tribe have had the opportunity to purchase the property.

1316(f) allows FmHA to sell inventory property at the appraised fair market value rather than the capitalization value. The Administration expressed concern that purchasers of inventory property may have realized a windfall from FmHA by buying inventory property at the capitalization value and then selling it at a much higher market price. The Committee feels very strongly that no one should be allowed to benefit from such a practice. GAO showed that the average difference between market value and appraised market value is about 2 percent therefore, this provision will only truly affect those areas where there is a large disparity in value. The Committee expects the Secretary to continue the appraisal method currently used, which uses three values obtained from three appraisal methods to arrive at the final appraisal value: comparable sales value, capitalization value, and summation of the value of all resources and essential facilities.

Section 1316(b & g) allows county committees to randomly select the purchaser of FmHA inventory property from qualified applicants instead of making such committee designate one of the qualified applicants as the one eligible to purchase the inventory property. It has been very difficult for county committees to select from equally qualified applicants without generating frequent appeals. This new section should lessen that risk.

Section 1316(h) alleviates a problem with the current use of U.S. Fish and Wildlife Service easements on inventory property.

According to Fish and Wildlife, 700,000 acres nationwide could come under these easements. Easements can reduce the productive value of the property in some cases. For the FmHA borrower/owner who conveyed his or her property to the agency, and who

exercises his or her redemption rights, the land could be worth less than when it was conveyed.

It is the intent of the Committee that in establishing wetland easements on existing croplands, the impact on productive croplands should be minimized. The lands that may be included in easements are identified as wetlands and farmed or converted wetlands, as determined by the USDA for swampbuster purposes. However, in no case will the easement on prior converted wetlands exceed 10 percent of the existing cropland available for production. In the case of frequently cropped wetlands, the limit would be 20 percent of the existing cropland available for production. The adjacent buffer area to the wetland may not be more than 100 feet in average width. The farmer shall have access to other portions of the property. Borrowers considering conveying their property to FmHA must be notified of the possibility that easements may be placed on their land. The appraised value must reflect the diminished value resulting from the placement of easements on the property. The new owner may waive these restrictions and accept the full easement requirements.

Section 1317 defines the terms "direct loan," "farmer program loan," and "qualified beginning farmer or rancher." The Committee authorizes the Secretary to define "beginning farmer or rancher" in regulations. It is the intent of the Committee that these regulations be published as proposed regulations for public comment. The Committee intends this definition to include a farmer and rancher who: has operated a farm or ranch for not more than 10 years; will materially and substantially participate in the operation of the farm or ranch; provides a majority of the day-to-day labor and management of the farm or ranch individually or along with the immediate family; agrees to participate in the loan assessment and borrower training programs established under this title; does not own land or who, directly or through interests in family farm corporations, owns land the aggregate acreage of which does not exceed 15 percent of the median acreage of the farms in the county in which the individual is to obtain land is located; and demonstrates that the available resources of the family of the individual are not sufficient to enable the individual to enter or continue farming or ranching on a viable scale. The Committee intends that this provision allow the Secretary to develop criteria under which a farmer or rancher who previously farmed or ranched his or her own property may be considered a beginning farmer.

Section 1318 will extend and broaden the authority contained in the 1985 Food Security Act for the Secretary to acquire easements for conservation, recreational, and wildlife purposes by cancelling part of a qualified borrowers' debt. The Committee believes that this provision has the dual benefits of helping keep financially burdened farmers on the farm and protecting fragile natural resources. Exchanging debt for conservation easements improves the return on the public dollar by recouping assets on delinquent loans, and by reducing the risk of new and existing loans from becoming delinquent. Easements acquired under this authority stay with the land even if it subsequently sold.

This easement provision was used only rarely between 1985 and 1990. The Committee has made three changes to make the conser-

vation easement program more attractive to farmers. First, the restriction applying such provision to loans made prior to December 23, 1985 is removed. Second, both delinquent and non-delinquent debt is now eligible. Third, the Secretary is authorized to cancel part of new or existing outstanding debt by reducing the principal of such loans. In the case of new loans, a borrower should generally be able to qualify for a loan before using the easement option so that any principal reduction would generally act to reduce the risk of future loan delinquency and the risk of future loan losses. A 33 percent cap on principal reduction has been set to control potential abuse of this provision.

In the case where a borrower wishes to reduce the debt load on existing or new loans, the Committee expects that this option will be available to the borrower prior to any loan servicing actions. In the case of delinquent borrowers or borrowers that are experiencing financial difficulty and are eligible for primary loan servicing, the Committee intends that this option be made available and considered by the Secretary as early in the loan servicing process as possible but certainly prior to deferrals, debt write-down, or other servicing options that result in outlays to the government. The Committee also intends this option to be made available and considered by the Secretary in combination with all other loan servicing alternatives, including net recovery buyout (in accord with Section 1320(b)). The Committee anticipates that in most cases compatible economic uses, excluding cropping, may be permitted if specified in an easement management plan to the extent that such uses are consistent with long term protection and enhancement of the environmental resources for which the easement was established.

It is the intent of the Committee that the Secretary use the authorities provided in this section to promote this debt for nature option. This is especially relevant and appropriate in view of the projected billions of dollars of uncollectible Federal farm loans.

Section 1319 makes permanent the interest rate reduction program allowing the Secretary to reduce the interest on guaranteed loans up to 4 percent. This section also requires the Secretary to shift from direct insured loans to this program $100 million in 1991, $200 in 1992, and $300 million in each of the years 1993, 1994 and 1995.

The Committee understands that the January 1990 Congressional Budget Office baseline assumed the following in farmer program loan levels:

[In millions of dollars]

	1991	1992	1993	1994	1995
Direct ownership	83	87	90	94	97
Direct operating	936	973	1,012	1,053	1,095

Section 1320 amends the provisions which originated in the Agricultural Credit Act of 1987 (Act).

Section 1320(a) clarifies the Act to ensure if a borrower could bring the FmHA loan current by liquidating or applying the loan

value of unsecured, non-essential assets, and does not, the borrower will not be eligible for restructuring.

It requires the Secretary to promulgate additional regulations further defining delinquencies beyond the control of the borrower. These regulations should ensure that a borrower who could bring delinquent debt current by applying the value of nonessential assets and/or unsecured assets, do so or such borrower will not be considered to have acted in good faith.

The Committee is also concerned about the Secretary's definition of circumstances beyond the borrower's control. The Secretary has not deemed ineligible for restructuring those borrowers who were capable of bringing their loans current through the use of nonessential, unsecured assets. As a result, debt forgiveness has been provided to borrowers whom Congress did not intend to benefit from the Act.

Section 1320(b) requires the inclusion of non-essential, unsecured assets in the net recovery buyout calculation.

Section 1320(b) states that the Committee intends that FmHA fully recognize the beneficial value of conservation easements on lands containing environmentally sensitive or valuable resources. Such conservation easements are of value to the public in that they protect natural resources such as wildlife, soil and water. Conservation easements protect essential services, of value to both to the land owner and the public, in the form of maintenance of water quality, ground water recharge, erosion control, wildlife habitat, flood water storage, recreation, and many other values.

The Committee intends for the Secretary to consider the beneficial value of a conservation easement on environmentally sensitive lands as an asset to both the government and the borrower. The value of conservation easements is the amount of debt relief provided in consideration for or that would result from establishing such easements. Protecting environmentally sensitive lands while providing and servicing farm credit is a legitimate activity entirely consistent with public farm policy.

Section 1320(c) requires the Secretary, when possible, to restructure a delinquent borrower in a manner which will provide the borrower with up to a 105 percent debt service margin. This section, however, is not intended to prohibit a borrower from receiving debt restructuring merely because he does not have enough income to project this 105 percent margin.

The Committee is disturbed that FmHA has established such tight cash flow margins for its restructured borrowers. A preliminary report of the General Accounting Office (GAO), presented in testimony before the Subcommittee on Agricultural Credit, showed that 59 percent of the borrowers' accounts GAO reviewed had cash flow margins after restructuring of under $100. FmHA stops analyzing a borrower's restructuring options as soon as a positive cash flow is reached. This approach to restructuring leaves little cash margin available for unexpected expenses or reductions in income, and thus increases the chance that a borrower will again become delinquent and need additional loan servicing. GAO reported that this restructuring approach is a primary reason many borrowers remain financially weak following restructuring.

The Committee intended restructuring under the Act to provide a realistic opportunity for a borrower to regain financial stability. The Committee realizes that it is very difficult to accurately project income and expenses in farming or ranching. Thus, the Committee has decided that FmHA should provide a 5 percent debt service margin when restructuring debt, when the borrower's present value is sufficiently above the net recovery value of the loan. This margin may be less than 5 percent but as great a margin as possible without making the present value of the borrower's loan less than the net recovery value.

The Committee intends that all borrowers who can project a present value which exceeds the net recovery value of the debt should be given the opportunity to be restructured. Thus, this section will not prohibit a borrower who cannot project enough income to meet this 105 percent debt service margin from receiving restructuring.

Section 1320(d) extends the statutory deadlines for a borrower to submit a primary loan servicing application from 45 to 60 days and for the Secretary to process the application from 60 to 90 days. The Committee determined that such an extension is needed to provide adequate time for the borrower and FmHA to properly prepare and evaluate restructuring proposals.

Section 1320(e) clarifies the 1987 Act to ensure that the borrower must have acted in good faith with respect to the Secretary and that the loan delinquency must be due to circumstances beyond the control of the borrower in order to maintain eligibility for net recovery buyout and preservation rights.

In addition, it extends the statutory deadline for borrowers to execute a buyout from 45 to 90 days. This section also replaces the recapture agreement FmHA currently requires as a condition of a net recovery buyout with a shared appreciation agreement, identical to that currently required as a condition of debt restructuring. The transfer of title to a spouse or child who is actively engaged in farming upon the death or retirement of the borrower shall not trigger this shared appreciation agreement. Instead, the spouse or child will assume the terms and conditions of the agreement for the remainder of its term.

The Committee determined that Congress intended the eligibility criteria, that a borrower must be delinquent due to circumstances beyond his control and must have acted in good faith, to apply to both debt restructuring and buyout eligibility. However, FmHA notified the Committee that it does not believe it to be explicitly clear in the statutory language of the Act whether the eligibility criteria for restructurings also applied to net recovery buyouts.

This section clarifies the buyout provision. It makes clear that borrowers are not eligible for net recovery buyouts if they have acted in bad faith or are not delinquent due to circumstances beyond their control.

The Committee intends the Secretary to use the same definition of bad faith to implement this section as it established through interim regulation 1951.909(c), published on September 14, 1988, and through its current policies, such as Administrative Notice 1987(1951) dated March 8, 1989, and General Guidelines For Determination of Lack of Good Faith Because of Fraud, Waste and Con-

version. This process requires FmHA to substantiate allegations of waste, fraud and conversion. The Committee intends that most bad faith determinations will continue to be based on a written legal opinion of USDA's Office of General Counsel.

Denial of rights under the Act should only be used when obvious attempts to act in bad faith occur. In order to reduce the number of appeals, the Committee expects FmHA to have sufficient documentation of the action and the intent of the borrower to act in bad faith when making such determinations. In addition, we expect that FmHA will not determine borrowers to have acted in bad faith who made an honest mistake, or were not able to or did not comply with FmHA agreements and regulations due to circumstances beyond their control, or because they received erroneous advice from FmHA staff. FmHA must also consider its traditional practices which may deviate from written policy when determining if a borrower had violated an agreement with FmHA.

The following are examples of actions the Committee does not believe ordinarily should be considered bad faith: a single instance of failure to notice the absence of FmHA's name on a check received for the approved sale of collateral; selling collateral based on verbal approval from a FmHA county supervisor which was not documented in writing; nonpayment of taxes on time in violation of a written agreement with FmHA because FmHA would not release living and operating expenses; and honest errors in reporting financial information on a Farm and Home Plan.

In any case in which a bad faith determination is made, the Committee expects FmHA to provide a borrower with the documentation FmHA used to determine bad faith, and the written legal opinion of the OGC if issued, within 15 days. The borrower may appeal the bad faith determination and any adverse action taken as a result. The Committee believes that it would be appropriate for FmHA state and county employees to discuss situations with borrowers that are likely to be considered as acting in bad faith.

The Committee determined that the time extension for a borrower to buyout debt at the net recovery value will enable more borrowers to obtain the financing necessary to execute a buyout.

When the Committee debated the Act in 1987, the net recovery buyout provision was expected to be rarely used. In implementing the Act, however, FmHA has denied many applicants restructuring, and consequently extended buyouts offers. FmHA has expressed concern to the Committee that the 2 year recapture agreement required by the Act could provide an incentive to a borrower to buyout the loan with the intent to sell the property for a profit after the recapture period expires. The Committee has determined that it is fair to require the same shared appreciation agreement for borrowers who execute a buyout as is currently required for borrowers who receive restructuring. While the Committee recognizes that these persons will no longer be FmHA borrowers after the buyout is completed, and therefore cannot add the recapture amount to their existing FmHA debt, the Committee determined former FmHA borrowers will be able to get necessary financing to repay the recapture at the end of the 10-year period if they retain title to the property. However, the Committee requires that the

transfer of title to a spouse or child who is actively engaged in farming upon the death or retirement of the borrower shall not trigger the recapture agreement. Instead, the spouse or child will assume the shared appreciation agreement for the remainder of its term. The Committee also believes that borrowers who have acted in bad faith or were not delinquent due to circumstances beyond their control should be ineligible for preservation rights, which include a preference for the purchase or lease of inventory property and homestead protection.

Section 1320(e) also authorizes the Secretary to apply the criteria that the delinquency is due to circumstances beyond the control of the borrower and that a borrower must act in good faith in order to be eligible for a net recovery buyout to buyout offers pending on the date of enactment of this subsection.

This section also requires the Secretary to collect and make available in a timely manner to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, information on the number of borrowers who have applied for debt restructuring who are alleged, or who have been shown, to have acted in bad faith; the number of applications for net recovery buyout that are being held due to bad faith allegations; the number of subsequent appeals to and reversals by the national appeals division of bad faith determinations; the amount of time required for the processing of net recovery buyout requests; the number of borrowers who have applied for debt restructuring in response to the November 1988 and August 1989 notices of the availability of loan servicing programs who have not been offered restructuring options by the Secretary, and who have not received a notice of intent to accelerate or to continue acceleration, a notice of borrowers' rights, and forms for the making of responses to the acceleration notice; and the number of bad faith allegations that have been submitted to the State director for farmer program loans.

For purposes of withdrawing pending buyout offers, the Committee considers a pending buyout offer to be that written buyout offer signed by a State director which is provided to the borrower, which the borrower has not accepted. In cases in which FmHA has made a bad faith determination against the borrower prior to the date of enactment of this subsection, the Secretary may withdraw that offer. The borrower may appeal this action.

Section 1320(f) mandates reports that will assist the Committee in properly overseeing the implementation of the good faith criteria expanded under this section, and FmHA's progress in completing the processing of those delinquent borrowers who applied for primary loan servicing in November 1988 and August 1989, and have been denied restructuring.

Section 1320(g) requires the Secretary, at the request of the borrower, to settle through negotiation an appraisal dispute with the borrower during mediation. As a result, the mediation is often not successful, and the borrower appeals the appraisal. If the borrower, based on a separate current appraisal, objects to the decision of the Secretary regarding an appraisal, the Secretary shall obtain a third appraisal from an independent appraiser mutually agreed upon by the Secretary and the borrower. The average of the two

closest appraisals will become the final appraisal. The borrower and FmHA will each pay one-half of the cost of this third appraisal.

Under current law and regulation a borrower who believes FmHA's appraisal is incorrect cannot appeal the appraisal until after mediation and denial of restructuring. FmHA will not negotiate an appraisal during mediation. However, the Committee has determined that early correction of an erroneous appraisal could result in successful mediation and eliminate the need for an appeal. This provision is intended to provide a reasonable procedure for resolving appraisal disputes early when possible, saving FmHA and borrowers from unnecessary costs and delays.

Section 1320(h) provides that, when partial liquidations are performed, with the prior consent of the Secretary, as part of loan servicing by a guaranteed lender, the Secretary shall not require full liquidation of a delinquent loan in order for the lender to be eligible to receive payment on losses. This provision will provide guaranteed lenders an option to full liquidation, in cases in which a reduction in debt through the partial liquidation of collateral will allow a delinquent borrower to repay the remaining debt on schedule.

Section 1320(h) also provides that if a borrower disposed of normal income security without the consent of the Secretary prior to October 14, 1988, the effective date of regulations issued to implement the Agricultural Credit Act of 1987, the Secretary shall not consider the borrower to have acted without good faith to the extent of the disposition if the borrower used the proceeds to pay essential household and farm operating expenses, and would have been entitled to a release of income proceeds by the Secretary if the regulations in effect on the date of enactment of this subsection (7 C.F.R. 1962.17, September 14, 1988) had been in effect at the time of the disposition.

Since 1985, Congress has made it very clear in both in policy and law that FmHA borrowers have a protected right to release of proceeds to pay for essential family living and farm operating expenses. This section prohibits FmHA from determining that a borrower acted without good faith by using proceeds from the sale of collateral for such living and operating expenses at a time when FmHA practices denied releases to several thousand borrowers whose loans had been improperly accelerated and when FmHA regulations were inadequate to identify which living and operating expenses would be deemed essential by the agency. It is the intent of Congress that FmHA borrowers should never be found to have acted without good faith for use of proceeds to pay essential living and operating expenses. The Committee intends this section to prevent borrowers from being wrongly denied restructuring, buyout and preservation rights under the Act.

Section 1320(h) also limits the number of write-downs that a borrower may receive to one, with two exceptions. A borrower may receive subsequent write-downs if a borrower becomes delinquent again as a result of a major disaster or emergency designated under the Disaster Relief Act of 1974 (42 U.S.C. 5121 et seq.), during the current or previous calendar year of the year of the delinquency. In addition, a borrower who received a write-down prior

to the date of enactment of this subsection, if the borrower becomes delinquent again, may be given a subsequent write-down in an amount not to exceed a sum that, when added to the initial write-down, would equal the amount that would have been written down if the initial write-down had been calculated on the basis of a debt service margin of 105 percent, as established in subsection (c) of this section.

The Committee determined that this small additional write-down will provide such borrowers with a better chance of regaining financial stability. In addition, the Committee found that there have been serious problems with implementation of the restructuring provisions of the Agricultural Credit Act of 1987, including confusion over the type of financial and crop yield and price data to be used, and incorrect versions of the Debt and Loan Restructuring System computer program used to analyze restructuring options. As a result, borrowers sometimes received inadequate debt restructuring and forgiveness. The Committee intends that FmHA should, in reassessing the restructuring plans of a borrower who becomes delinquent again and is entitled to additional write-down to provide 105 percent debt service margin, carefully review the previous restructuring plan to determine if it was done correctly, according to FmHA's most recent policies. If errors are found, it is the Committee's expectation that FmHA will correct those errors and provide the restructuring and debt forgiveness levels that the borrower is rightly entitled to.

Section 1320(h) also prohibits debt forgiveness under the Agricultural Credit Act of 1987 on any portion of the delinquent debt that the borrower could pay through the liquidation of nonessential assets which do not secure a debt by any creditor, or through the payment of the loan value of these assets, if the value is greater than the liquidation value.

This subsection is intended to prevent abuse of the Act by borrowers who have assets which could be used to reduce or resolve their delinquencies. The Committee determined that it is important that the Secretary calculate an accurate projection of what would reasonably be expected to be collected through foreclosure or restructuring when considering the value of nonessential, unpledged assets, so that denials of restructuring based on the consideration of additional assets will not result in foreclosures that result in greater losses to the Federal government than would restructuring. The Committee expects the Secretary to incorporate the current interpretation of essential assets when promulgating regulations to carry out this subsection. These regulations include 7 C.F.R. 1951.41(d)(2) (January 1, 1989) and 7 C.F.R. 1956.66(a)(6) (January 1, 1989). These regulations consider as essential those assets which provide income to pay essential family living expenses or to maintain a sound farming operation, have no existing lien to another creditor, are exempt from levy and execution by judgment creditors, and represent reasonable equity in the homestead.

Section 1320(h) would limit the amount of debt forgiveness under the Agricultural Credit Act of 1987 to $350,000 of principal and interest.

The Committee recognizes that this limitation will result in cases in which the Federal government will lose more, because some bor-

rowers will be denied the least cost alternative of restructuring or buyout. This denial will occur either because the limited amount of debt forgiveness will not allow a borrower to project a present value greater than the net recovery value, or will result in a buyout value which is greater than a borrower can pay. In foreclosing, FmHA will receive less than if it had offered restructuring or buyout. The Committee also knows that some write-downs and write-offs have been provided to borrowers whom Congress did not intend to benefit from the Act.

Section 1321 requires the Secretary to treat Indian reservations as one county with respect to the distribution of funds.

Sections 1322, 1323, 1324 and 1325 are designed to return FmHA to its former role of providing supervision of credit to ensure that loan decisions are knowledgeably made, and a borrower's financial situation receives frequent review to identify and resolve problems early, and borrowers receive assistance in gaining reasonable experience and equity in the farming operation.

Section 1322(a) requires the Secretary to provide training to all farmer program direct and guaranteed borrowers in financial and farm management concepts associated with commercial farming by contracting with organizations to provide such training, including private, state or non-profit credit counseling services, (including community colleges, the Extension Service, state departments of agriculture, or non-profit organizations). The Secretary may consult with the Governor of each state to identify such organizations.

Participation by a borrower in such training shall be a requirement of direct and guaranteed loan eligibility. An applicant shall not be considered ineligible for an FmHA loan because of the need for such training if the applicant meets the eligibility criteria for management ability and experience. Borrowers shall pay for this training, using operating loan funds if necessary.

The Secretary may waive this training requirement for an individual borrower upon the determination by the County Committee that the borrower demonstrates adequate knowledge in these areas. The Secretary is required to issue regulations on the overall guidelines and curriculum for the borrower training program.

Section 1322(b) allows borrowers to use funds received through operating loans to pay for borrower training provided under this section.

The Committee is concerned that FmHA no longer assists its borrowers in obtaining the financial and farm management skills necessary to successfully operate a farm, gain equity in the farm operation and graduate from FmHA programs. This is one reason FmHA is no longer serving its mission to provide assistance to beginning farmers and financially troubled borrowers to enable them to obtain private credit. We believe the training proposed by this section will partially remedy this failure.

The Committee does not intend this training requirement to change FmHA's current consideration of a borrower's eligibility for direct or guaranteed loans. Participation in this training will be an additional condition of loan eligibility, once the county committee has determined that a borrower had sufficient experience and management ability.

It is the intent of the Committee that the Secretary issue proposed regulations for public comment on the guidelines and curriculum for such borrower training and guidelines for the county committees to use in determining whether to waive the borrower training requirement for an individual applicant.

When contracting with organizations to provide this training, the Secretary should insure that this training is provided at a reasonable cost to borrowers. The Committee expects the curriculum for such training to include training to assist the borrower to forecast trends in income and expenses, complete lender-required forms, analyze the farm operation, and become aware of resources which provide information on new farming techniques, crops and products.

Non-FmHA eligible farmers may attend and pay for such classes, including applicants determined to be ineligible for FmHA assistance due to lack of sufficient experience or farm management ability.

Section 1323 requires the Secretary, after a loan applicant is determined eligible for FmHA assistance by the county committee, to evaluate, in accordance with regulations issued by the Secretary, the farming plan and financial situation of each qualified farmer or rancher applicant, by determining the following: the amount which the applicant will need to borrow to carry out the proposed farming plan; the rate of interest which the applicant would be able to pay which would allow the applicant to cover expenses and build an adequate equity base; the goals of the applicant's proposed farming plan and its financial viability, and any changes needed to make it viable; and whether or not, and if so, how much FmHA assistance the borrower will need to obtain the financing needed.

The Secretary is authorized to contract with a third party, including those entities eligible to provide borrower training, under 1322, to provide this loan assessment, as the Secretary deems necessary.

This loan assessment will also extend to the biannual review of direct loan borrowers and periodic reviews as deemed necessary by the Secretary of guaranteed loan borrowers to assess a borrower's progress in meeting the goals for the farm operation and the graduation plan developed under Section 1325 of this title. Assistance in this loan assessment could be provided by the contracting credit counseling service. In addition, when delinquencies occur, FmHA or the contracting credit counseling service will provide problem assessment to determine the cause of and action necessary to correct the problem.

The Secretary is required to issue regulations on the overall guidelines for loan assessment.

The Committee intends this section to be part of the effort to enhance FmHA's assistance to borrowers and increase graduation. In a report entitled *Farmers Home Administration Farm Loan Programs Have Become a Continuous Source of Subsidized Credit,* and in testimony before the Subcommittee on Agricultural Credit, the General Accounting Office reported that FmHA has provided inadequate loan assessment, resulting in loans made to borrowers who could not repay them. In addition, loans have been made to borrow-

ers who did not qualify for FmHA assistance. Other witnesses also testified that enhanced loan assessment was needed.

The Committee determined that this section will help ensure that loan applications are properly assessed, including a determination of whether and how FmHA credit can help an individual applicant or borrower achieve the farm operation goals within the terms and time frame allowed by FmHA, and enhance the supervision of loans made in order to identify and resolve problems early, and ensure that borrowers meet their graduation goals. We urge the Secretary to contract for assistance in this assessment, particularly in areas in which adequate staff time or experience is not available.

Section 1324 requires the Secretary to increase credit supervision by providing adequate training to FmHA employees on credit analysis and financial and farm management to better acquaint the employees with what constitutes adequate financial data on which to base a direct or guaranteed loan approval decision, and to ensure proper supervision of farmer program loans. This program will include guidance and training to state, district and county officials to enhance the monitoring of lenders' guaranteed loan servicing and liquidation activities.

The Committee is concerned about reports that FmHA employees do not have adequate training to make knowledgeable loan making and servicing decisions. The Subcommittee on Agricultural Credit heard overwhelming testimony that FmHA has ceased to provide adequate supervision of credit. A report issued by GAO, entitled *Farmers Home Administration: Implications of the Shift From Direct to Guaranteed Farm Loans,* and a September 1988 report by the USDA Office of the Inspector General focused particularly on the guaranteed loan program. In these reports, and in subsequent testimony before the Subcommittee, these agencies reported that FmHA's assessment of a guaranteed loan application to determine borrowers' repayment ability is inadequate. In addition, both agencies found significant problems with FmHA's oversight of loan guarantees after approval. Both the OIG and GAO recommended that FmHA provide additional training to its employees to assist them in better loan assessment, and to fulfill better their guaranteed loan oversight responsibilities.

The success of FmHA farmer loan programs in past decades has been largely due to good supervision. The Committee believes it is necessary for FmHA to increase again its supervision in order for the agency to meet its mission to provide short term credit and assistance to beginning and financially troubled borrowers in order to enable them to build the skills and equity needed to achieve a successful farm business and to compete for commercial credit.

The Secretary, in his 1990 farm bill proposal, and in subsequent testimony presented by the Under Secretary for Small Community and Rural Development before the Subcommittee, expressed the intent to increase FmHA's role as supervised lender and to increase graduation. Yet the Secretary's proposal is silent on how it intends to reach these goals beyond establishing mandatory graduation. Thus the Committee determined that it is necessary to establish statutory programs to ensure that borrowers will be able to do so.

The intent of this section is to enable FmHA employees to make better decisions on direct or guaranteed loan applications, better monitor borrowers' progress in meeting their Farm and Home Plan and graduation goals, and monitor guaranteed lender servicing.

In addition to the requirements for additional training required in this section and the increased loan assessment required under Section 1324, the Committee expects the Secretary to develop policies which require increased supervision of credit, including one mandatory annual visit to each borrower's farm or ranch operation by the FmHA county supervisor or assistant county supervisor responsible for the borrower's account. While this visitation is already an FmHA policy goal, the Committee understands that this goal is seldom achieved. The Committee also expects this increased supervision to require biannual consultations between the borrower and county supervisor or assistant county supervisor to discuss the borrower's financial condition, whether loan funds were used for the intended purpose and whether the farm operation is meeting the goals of the farm and graduation plan.

The Secretary should ensure that the county supervisors assist borrowers in analyzing their farm operation and securing needed skills and training to operate successfully the farm, build equity and ultimately qualify for commercial credit. The Committee recommends that the Secretary allow county supervisors to be assisted in these duties by the contracting credit counseling services.

Finally, the Committee is concerned that FmHA does not have adequate staff to provide increased loan supervision. Although FmHA has requested 500 additional employees in FY 1991, it is unclear whether such additional staff shall be adequate. The Committee determined that the Secretary should endeavor to provide FmHA with adequate qualified staff to fulfill its responsibilities for its programs and perform the services detailed in this title.

Section 1325 requires the Secretary to establish a plan to encourage the graduation of borrowers to private commercial credit at the time a loan is made to a qualified farmer or rancher or existing FmHA borrower. After this section is enacted, a borrower shall be limited to receiving new direct loans for a total of 10 years, and any combination of direct and guaranteed loans for a total of 15 years.

The Committee determined that this section is necessary to reaffirm FmHA's mission as provider of short-term credit and assistance to borrowers, and to increase the graduation of borrowers to private lenders, in order to make funds available to assist new applicants.

In its report entitled *Farmers Home Administration Farm Loan Programs Have Become a Continuous Source of Subsidized Credit,* and in subsequent testimony before the Subcommittee on Agricultural Credit, GAO reported that 42 percent of FmHA borrowers have received FmHA assistance for over 10 years. The reasons for such long term assistance include low commodity prices, an ill-defined graduation process, and unclear policies about FmHA's role as a temporary source of credit.

However, in the same report, and in subsequent testimony before the Subcommittee on Agricultural Credit, GAO reported that few lenders are interested in lending to graduating FmHA direct loan

borrowers. The primary reason was that borrowers' financial condition does not meet commercial credit standards. As a result, the Committee is concerned that limited Federal funds for direct loans will result in inadequate resources to provide loans to those qualified FmHA borrowers who cannot obtain private credit. Therefore, it is absolutely essential that FmHA better prepare its borrowers for graduation, including assisting them in gaining the equity and financial and farm management skills necessary to achieve successful farm businesses and compete for commercial credit.

The intent of this section is to require FmHA and the borrower to begin planning for graduation the day a new loan is made. The Committee expects this graduation plan to include the borrower training program and loan assessment programs under Sections 1322 and 1323, respectively, and increased FmHA supervision of credit under Section 1324. This graduation program will require more frequent review of current borrowers' financial status to determine their ability to graduate, and assistance to borrowers determined to be commercially credit-worthy in receiving commercial credit at affordable rates and terms.

Section 1326 requires the Secretary to establish a market placement program for loans to beginning farmers and ranchers and other farmer program loan applicants which the Secretary believes have a reasonable chance of qualifying for commercial credit with an FmHA guarantee.

The Committee intends this section to facilitate the placement of direct operating and farm ownership loan applicants with commercial lenders through the use of FmHA guarantees and/or interest rate reduction assistance. The Committee understands that FmHA is revising its program called "Operation Assist" to increase the use of the guaranteed loan program. The agency's past efforts to inform lenders of the program and assist applicants in obtaining private creditor loans, particularly through "Operation Assist," have not been very successful, according to a September 1988 report issued by the Office of the Inspector General. OIG recommended that FmHA establish a more aggressive procedure designed to shift direct loan borrowers to guarantees, including requiring each county office to present its best loans to lenders for conversion to the guaranteed loan program. FmHA has begun to expand its efforts to increase the use of the guaranteed loan program, and the aforementioned plan may assist in this effort.

In developing its plan to increase graduation, the Committee intends that FmHA assess whether applicants for direct loans might be commercially credit-worthy with a guarantee and/or interest rate reduction assistance provided under Section 1319 and establish a program to "package" these applications for bids by local commercial lenders. FmHA could call upon the contracting credit counseling services to assist in this effort. Packets could include the farming plan of and financial information about the applicant, a description of the amount of loan guarantee and any interest assistance which the Secretary will provide to the applicant, and other necessary documents. If completed by the contracting credit counseling service, these packets should be evaluated and verified by FmHA personnel.

Individual applications could be circulated to interested area lenders with a solicitation to "bid" on the packet. Bids may include the lender's offer to accept a lower guarantee level, or to absorb a portion of the cost of reducing the interest rate. If no adequate bid is received, then the applicant would receive a direct loan.

Section 1327 expresses the Sense of Congress that the Secretary should develop and direct innovative programs of finance and assistance for land transfer between generations and for establishment of new farm units, and to expand the use of the credit sale and land contract method for the sale of suitable inventory property. In addition, the Secretary should maintain statistics on the number of loans made and inventory properties sold to beginning farmers and minority farmers.

The Committee determined that FmHA should increase its assistance to beginning farmers and ranchers. In reports and testimony before the Subcommittee on Agricultural Credit, GAO has shown that few FmHA loans are being provided to beginning farmers or ranchers, and little inventory land is being sold to such individuals. The Committee recognizes the difficulty of entering farming in the current economy. Innovative programs and expansion of current non-lending programs to assist beginning farmers and ranchers in acquiring property are necessary in light of the limited Federal resources for loans, the abundance of inventory property, and the amount of farm assets held by farmers nearing retirement.

Section 1328 states that Congress finds disturbing the reports of the Office of Inspector General (OIG) and the General Accounting Office (GAO) of inadequate loan application review and monitoring of loan servicing of guaranteed loans. It is the sense of Congress that the Secretary quickly take every action necessary to correct the problems identified by GAO and OIG and report to Congress on the actions taken.

In its September 1988 report, OIG found that guaranteed loan applications were not always completed, background credit checks of applicants were not normally made, financial projections and verifications were not always made, financial requirements were not always included in loan agreements, loan closing certifications were not always completed, lender/borrower conflicts of interest existed, and loan limits were exceeded. Some lenders did not verify nonfarm debts, and some did not verify nonfarm income. Loan funds were not always used for the intended purposes, collateral inspections were not always made, financial statements were not always required from the borrowers, and variable interest rates were not always based on published rates. FmHA did not always monitor whether lenders are obtaining and analyzing financial statements and taking any servicing actions needed, and providing copies of the statements and record of actions to the FmHA county supervisors.

In its report entitled *Implications of the Shift From Direct to Guaranteed Farm Loans,* GAO found that problems in overseeing loan guarantees after approval include the lender and/or FmHA (1) failing to obtain periodic financial statements from all borrowers and failing to perform the required collateral inspections during the life of the loan, (2) making unauthorized loan advances to borrowers and including them under the guarantee, and (3) fail-

ing to submit timely default notices and/or liquidation plans. GAO stated that these problems have hindered FmHA's ability to identify problem loans early. GAO also found instances in which the procedure for FmHA approval of liquidation was not followed.

The Committee is concerned about these findings. While FmHA has proceeded to address some of the problems identified, the Committee expects FmHA to take necessary actions to resolve the remaining problems.

In addition, because of the benefits to lenders of participating in the guaranteed loan program, including transfer of risk, increased liquidity and profitability from participating in the secondary market and improving the quality of their total loan portfolio with respect to regulators, the Committee intends that FmHA enforce its authority to refuse to honor fully its guarantee in those instances where lenders' negligent servicing caused guaranteed loan losses.

In addition, the Committee recommends that the Secretary review the loan application process for its direct and guaranteed farmer program loans and community and business program loans made under section 310B of the Consolidated Farm and Rural Development Act, and the approved lender program established by exhibit A to subpart B of part 180 of title 7, Code of Federal Regulations, to determine ways to streamline and improve the loan application process and reduce the time necessary to approve loans and provide funds to the borrower. In no case shall changes which occur as a result of this review reduce the adequacy of credit analysis or financial data verification. In addition, the Secretary should consider streamlining the annual financial reporting requirements of borrowers and consolidating the reporting requirements for those borrowers who have both direct and guaranteed loans.

SUBTITLE B—FARM CREDIT SYSTEM (FCS)

Section 1341 states that all references are to the Farm Credit Act of 1971.

Section 1342 removes the explicit 20 percent "throughput" requirement and substitutes a requirement that the operations of the applicant supply "some portion" of the product put through the operation. The clear intent of the Committee is to provide greater flexibility to farmers and to prevent, in the future, a farmer from becoming ineligible for System financing due to the success and growth of a marketing and processing operation. The Committee specifically sets no bottom limit for what portion the on-farm production must make up of the total throughput.

Section 1343 restores the first lien position for production credit associations. The first lien was inadvertently deleted in the 1987 Farm Credit Act.

Section 1344 is intended to recognize the possibility that System banks may be unable to satisfy the requirement that banks approve more than two insurers for each type of program. The Committee understands that, as a result, banks and associations may be unable to satisfy the requirement that at least two insurers be offered to System borrowers. System banks are, however, expected to make a reasonable and good faith effort to attract more than two

qualified insurers to approve so that the bank or association may offer at least two insurers to borrowers, and to ensure that each insurer has an equal opportunity to market its insurance.

This section also clarifies that prior to being approved by the banks and offered to borrowers, programs proposed by insurers must meet the tests of subsection 4.29 (b)(2)(D), and the requirement that it must be probable that the proposed program will be viable over a long period of time including the production of sufficient revenue over time to cover all costs of offering the program, so that there will be long-term stability of member/borrower insurance programs.

Section 1345 specifies that the Farm Credit Administration board is to govern the Farm Credit System Insurance Corporation (FCSIC) and eliminates the requirement that a separate governing structure is established for FCSIC. The Committee is concerned that a second governing structure will be established to run FCSIC at great expense to the Farm Credit System.

Section 1346 requires system institutions specifically to identify guaranteed loans. System institutions are charged a different insurance assessment depending on whether their accrual loans are guaranteed or not and yet they are not required to differentiate when reporting accrual loans to the Farm Credit Administration.

Section 1347 removes the current 5 day gap between the termination of the Farm Credit System Assistance Board and the start up of the FCSIC, by moving up the start up date for the FCSIC to January 1, 1993.

Section 1348 eliminates the current requirement for assistance that no assistance may be given if the cost of assistance is greater than the cost of liquidating the bank. The 1987 Farm Credit Act allowed any stock coming in after October 6, 1988 to be at risk. Thus currently only 20 percent of System stock is protected.

This provision is designed solely to eliminate a restriction on the ability of the FCSIC to exercise its discretion in determining whether or not to provide assistance. The deleted language would have prohibited the FCSIC from providing assistance if it determined that the amount of such assistance would exceed the cost of liquidating the institution, including the cost of paying insured obligations. Since associations do not issue insured obligations the FCSIC's primary direct cost in liquidating an association would be in connection with the retirement of the relatively small and constantly declining amount of protected stock. Therefore, it is questionable whether this cost test could ever be satisfied in connection with a decision to assist an association and may have precluded the FCSIC from providing assistance to any association. In addition, this cost test could be subject to various interpretations which could have resulted in the FCSIC being embroiled in contentious and expensive litigation. The deletion of this language does not suggest that the FCSIC may not use any analytical approaches it determines appropriate, including approaches designed to evaluate the costs to the FCSIC, in determining whether to provide assistance to or to facilitate the merger or consolidation of an institution experiencing financial difficulties.

Section 1349 requires all system institutions to notify the Farm Credit Administration if they are considering the employment of a

person convicted of a crime related to waste, fraud or abuse. This currently only applies to insured System banks and not associations.

Section 1350 allows the California Livestock Production Credit Association to leave the System with $1,000,000 of its capital. The California PCA is a much different institution than other PCA's and has a significant amount of capital that potentially is at risk under current law. The Committee determined that it would be equitable to make this one exception.

Section 1351 allows the Federal Agricultural Mortgage Corporation (Farmer Mac) to pool Farmers Home Administration guaranteed loans. The Committee agreed to allow Farmer Mac to pool FmHA guaranteed loans in order to facilitate creation of a secondary market for the guarantee portion of these loans.

In the Agricultural Credit Act of 1987 (Public Law 100-233, Title VII, Subtitle B) Congress required the Secretary of Agriculture to "develop such procedures as are necessary for the facilitation, administration and promotion of secondary market operations" for the FmHA guaranteed portion of farmer program loans. For budgetary and legal reasons, the Secretary has not been able to implement this program and thus the benefits of a more efficient secondary market which Congress intended have not been made available to borrowers, lenders and the FmHA.

Congress decided over two years ago that a secondary market for FmHA guaranteed loans would be beneficial to borrowers and lenders. The Committee determined that nothing has occurred to change this conclusion and that Farmer Mac is the best vehicle to implement the program in view of the problems USDA has encountered. This combined approach to the agricultural secondary markets should reduce start up expenses by eliminating the need for USDA to duplicate the costs of development already incurred by Farmer Mac, should eliminate any investor confusion that could result from the implementation of two separate agricultural secondary markets at about the same time and will contribute to greater efficiency and market acceptance resulting from a higher volume of business channelled through the combined secondary market mechanism. Finally, if successful, Farmer Mac, by assuming (directly or through an affiliate) the role of issuer and guarantor of securities, should provide the benefits for farmers and ranchers of access to the capital markets without cost or additional risk to the taxpayers, because the portions of the loans backing the securities are already 100% guaranteed by the full faith and credit of the government.

Concerns have been raised that the new authority would impair Farmer Mac's reputation, by associating it too closely with the FmHA program, and subject Farmer Mac to additional risks. The Committee carefully reviewed these concerns and determined that they are without merit. Experience under the housing secondary market programs (Ginnie Mae, Fannie Mae and Freddie Mac) with the pooling of loans guaranteed by the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) shows that the poor quality reputation of the loans being pooled is totally irrelevant to the investors, who look only to the government guarantee for their security.

With respect to risks that Farmer Mac will face in connection with pooling FmHA guaranteed loans, this Committee has concluded that because of the FmHA guarantee Farmer Mac would face no credit risk but could face: (1) limited interest rate risk during the formation of pools; and (2) some cost of carry to the extent that it may have to borrow funds to cover delinquent farmer payments during a limited (90 to 120 day) period before the guarantee could be triggered and paid to the pool. There are tools familiar to the financial industry that can effectively be used to reduce or eliminate these kinds of risks. In addition, Farmer Mac will receive a pooling and guarantee fee which will compensate it for performing this role and will add to its earnings base.

One other issue that has been involves the provision in the proposal to authorize Farmer Mac to act as a pooler for the FmHA guaranteed loans. The legislation would not exclude any other Farmer Mac poolers from performing this same activity.

Enactment of the proposed amendment will assure that borrowers, lenders and FmHA will have the benefit of a larger and more orderly and efficient secondary market than would have been the case if the Secretary of Agriculture had developed a separate secondary market which would parallel and duplicate many of the functions of Farmer Mac's basic program.

Section 1352 removes the Farm Credit Administration from the Senior Executive Service salary requirements. Farm Credit Administration employees live all over the country, the costs of living vary greatly and this provision would allow FCA to adjust salaries commensurate with the differences in cost of living. This provision is in no way intended to increase any employee's salary.

SUBTITLE C—MISCELLANEOUS

Section 1361 eliminates the Economic Emergency Loan Program. This program has been fraught with abuse and delinquencies almost since it began. A sizable portion of current FmHA delinquencies are a result of this program and it has not been used for several years.

Section 1362 authorizes appropriations for the socially disadvantaged programs run by FmHA.

To carry out outreach programs to socially disadvantaged farmers, and to ensure that the target participation rates established pursuant to section 355 of the Consolidated Farm and Rural Development Act are achieved, the Secretary should provide outreach education, technical assistance, and legal assistance to encourage minority farmers to apply for loans, grants, benefits, or entitlements pursuant to the purposes of this Act.

To facilitate outreach, the Committee authorized in the Conservation title of this bill the Office of Advocacy and Enterprise to enter into grants and contracts, and other agreements in the furtherance of this section. The Committee intends for the Office of Advocacy and Enterprise to enter into grants with both educational institutions and community based organizations. The funding of these grants and contracts should be evenly distributed with fifty percent to community based organizations and fifty percent to institutions of post-secondary education.

The community based organizations should have a demonstrated experience and commitment to socially disadvantaged farmers. Such community based organizations must provide documentary evidence of their past experience and commitment in working with at least 100 socially disadvantaged farmers during two years prior to their application for assistance under this legislation. Examples of such organizations include the Federation of Southern Cooperatives and the Rural Advancement Fund.

The Committee intends for funds made available to post-secondary educational institutions to give priority to the 1890 land grant colleges; Indian Tribal Community Colleges and Alaska Native Cooperative Colleges; Hispanic Serving Institutions of Higher Education; and other educational institutions with a demonstrated experience in providing education, advocacy or other services to socially disadvantaged farmers in the region in which the institutions are located.

In order to facilitate outreach to socially disadvantaged farmers, the Committee suggests that the Secretary expand and improve the qualifications and performance of the staff of the Farmers Home Administration as follows:

(1) Target participation rate below 10 percent.—In any state in which the target participation rate for socially disadvantaged groups, as established under Section 335(a)(1) of the Consolidated Farm and Rural Development Act (7 USC 2003(a)(1)), is 10 percent or less, the Secretary shall assign a specific qualified member of the FmHA staff within the state to be responsible for implementing the policies and programs established under this Act.

(2) Target participation rate between 10 and 30 percent.—In any state in which such target participation rate is at least 10 but no greater than 30 percent, the Secretary shall employ one additional qualified staff member who shall serve as an adjunct staff member of the Office of Advocacy and Enterprise and who will have the responsibility of implementing the policies and programs established under this Act.

(3) Target participation rate greater than 30 percent.—In any state in which such target participation rate is greater than 30 percent, the Secretary shall employ at least two additional qualified staff members, and any further such staff members as are necessary, who shall serve as adjunct staff members of the Office of Advocacy and Enterprise and who will have the responsibility of implementing the polices and programs established under this Act.

The term "qualified staff" means an employee of the Department who has specific training and experience in the successful operation of small farms and is sensitive to the special needs of the operators of qualified socially disadvantaged farms. Furthermore, "qualified staff" should receive basic training and continuing education in all special provisions and programs of the Department for minority or socially disadvantaged farmers.

To ensure sufficient data for the consideration of the needs of socially disadvantaged farmers, the Secretary should collect and report data as follows:

(1) The Secretary shall incorporate into the monthly publication of *The Farm and Housing Activity Report* for all application activities data with respect to race/ethnic group.

(2) The Secretary shall provide an annual report to the appropriate committees of Congress containing all data on application activities as included in *The Farm and Housing Activity Report.* It shall include data referred to in the previous paragraph (1).

The report should compare target goals with actual results as well as include an analysis and explanation when such goals are not met. It should also indicate, on a State-by-State and county-by-county basis the amount of targeted funds loaned to socially disadvantaged farmers, and the amount of guaranteed loan funds loaned to socially disadvantaged farmers.

The Committee intends the report to Congress addressing the participation of socially disadvantaged farmers in programs included under this title to be completed and reported to Congress no later than September 30, 1992, and annually thereafter, for the life of this legislation.

Section 1363 allows the continuation of State mediation programs. These programs have been highly successful in resolving credit problems and the Committee determined that it is in the best interest of both the borrower and the lender to continue the program through 1995.

Section 1364 addresses a great need in South Dakota and other states in which there are Indian Reservations with land held by multiple owners (fractionated interests).

The section authorizes $8 million for the Indian Land Acquisition Program which was created to assist Indian Tribes in purchasing land from owners of fractionated land within Indian reservations.

The section also reduces the interest rate used for the programs to that of the limited resource rate.

The section is intended to allow tribes to purchase these holdings from the owners and consolidate the property so that the tribe could lease it for grazing or other economic purposes.

The Committee intends that reducing the interest rate and allowing more authorization will lead to a greater use of the program.

TITLE XIV—RESEARCH

A new agenda is emerging for American agriculture in the 1990's. Agricultural research is broadening beyond its traditional focus on increased production to also address environmental quality, new product development, biotechnology, and many other challenges. Without new program authorizations and increased investment, American leadership in the agricultural sciences may be jeopardized.

There is a great need for new investment in agricultural research, extension and teaching. Federal funding levels have been relatively static for two decades. According to the Office of Technology Assessment, already one-third or more of Federal funding of agricultural research is granted by Federal agencies outside the USDA. More and more agricultural research is sponsored by pri-

vate industry. The lack of increased public funds for agricultural research has received much attention, most recently in the National Research Council report *Investing in Research* which documented the need for a major reinvestment in the system through the competitive grants program of USDA.

However, new money alone will not solve all the problems of agricultural research, extension and teaching. Many more safeguards are needed to ensure that whatever money we do spend is targeted to the problems confronting the American farm economy in the 1990's. A reinvestment, therefore must occur simultaneously with a careful restructuring of research and extension priorities and programs.

Purpose and Need

Priority-Setting

Subtitle A contains several provisions to aid the USDA in establishing clear priorities for agricultural research, extension and teaching programs. The provisions include a statement of purposes, a reorganization of the Joint Council on Foods and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board, and the establishment of a new Agricultural Science and Technology Review Board.

The Committee intends that together these provisions will improve the direction and mission of the agricultural research system by modifying the agricultural research priority setting process to address both the needs of producers and national priorities. It will also improve the coordination of Federally funded agricultural research.

These provisions are the result of several hearings the Subcommittee on Agricultural Research and General Legislation held to investigate the agricultural research priority setting and planning process. It also incorporates many of the concepts outlined in a report by the Office of Technology Assessment on *Agricultural Research and Technology Transfer Policies For the 1990's,* written at the request of the Committee.

These sections set out several broad social, environmental and producer-oriented goals for the Federally-funded agricultural research and extension system. It states that the primary goals of research and extension are to enhance competitiveness of the food production system, and to ensure social, environmental, human health, and food security of the United States.

The purposes section of the research title is an attempt to give USDA a clearer sense of mission from Congress. This purpose section is not designed to limit sound research. Rather, it will give the Federally-funded research system some guidelines for setting priorities in research.

The Agricultural Marketing Act of 1946 provided a broad goal statement for research: "It is hereby declared to be the policy of the Congress to promote the efficient production and utilization of products of the soil as essential to the health and welfare of our people and to promote a sound and prosperous agricultural and rural life as indispensable to the maintenance of maximum em-

ployment and national prosperity." It specifically included "such investigations as have for their purpose the development and improvement of the rural home and rural life, and the maximum contribution by agriculture to the welfare of the consumer." The title will require USDA to take one further step by actively requiring the USDA to consider the potential impact of research on the environment, farm productivity, rural communities, and the profitability of production.

As fewer researchers have farm and rural community backgrounds, it is important to prioritize agricultural science research efforts for the benefit of farmers and consumers. Agricultural research needs to be published in scientific journals and should advance science, but these goals should not be the sole purpose of publicly funded research projects. Taxpayers want accountability. As Federally-funded research competes with other programs under tighter budget constraints, taxpayers are demanding that these funds be spent in ways that produce workable benefits.

The agricultural research system will receive its first major increase in many years under this legislation. At a time when Federal dollars for agriculture are being cut, the research community is being provided with more funds. However, with these new funds come certain responsibilities. One of the major complaints heard about the system is that much of the research is done for the sake of research and never gets back to the farmer. The purpose of this subtitle is to ensure that important environmental, production and social factors are considered in allocating Federal research dollars.

The purposes for the research and extension system are described in the legislation. It is not intended that every project address each of these purposes. However, the Committee intends that the total Federally-funded research program and extension program have the combined effect of advancing each of these purposes. This means that such projects should, to the extent practical, be designed to complement the other purposes.

The Secretary shall promulgate regulations describing how these purposes will be implemented by ensuring that they are considered in research and extension priority setting and decision making processes.

All USDA requests for proposals that total $10,000 or more shall include an analysis as to how such projects shall further the purposes set out in this section. In the case of competitive grants, the Secretary shall be responsible for completing the identification of purposes, which is to accompany the request for proposals. However, in the case of other USDA supported research and extension activities, including but not limited to Agricultural Research Service research and activities supported by formula funds, that analysis shall be completed by the individuals or institutions proposing the research or extension project.

A new board, the Agricultural Science and Technology Review Board, is established to assist the Secretary and the Joint Council to assess the extent to which new and emerging technologies are consistent with the purposes set forth in this subtitle.

General Authorization of Appropriations

The Committee authorizes increased funding for the Agricultural Research Service, the Cooperative State Research Service, and the Extension Service. This base funding is critical to the Department's ongoing research programs.

The Committee considered several proposals for specific research programs, but decided that the USDA should be allowed greater discretion, within the Congressionally established priorities set out in this subtitle, to determine how best to utilize the base funding provided for in this section. To that end, the Committee rejected efforts to earmark these accounts for specific research purposes.

The Committee, however, does encourage the Department to continue and expand its program in plant science research. The competitive position of the United States in global agriculture and forestry is increasingly dependent on efficient sustainable systems of production. Health and nutrition of major agronomic and forest species are affected by the immediate environment of plants. A cooperative, multidisciplinary effort involving the Federal government and land-grant universities will provide a mechanism for the development of a team effort to solve problems that limit plant growth and efficiency and to enhance the transfer of new technology.

The Committee encourages the Secretary to undertake research that determines the effect of environmental conditions on the transfer of nutrients to the roots and root growth, investigates the beneficial effects of the microbial populations surrounding the root surface, evaluates natural biocontrol of root pests and diseases, and determines the effect of water content of soils on root growth.

Research Facilities

The Committee decided not to authorize specific facility construction in this legislation. Rather the Committee chose to continue the general authorization for research facilities with a significant increase in this account.

The Committee determined that an overall evaluation of current facilities and the process for siting new facilities was needed. To that end, the Committee, as part of subtitle E, authorizes an Agriculture Research Facilities Planning and Closure Study Commission. Nevertheless, the Committee discussed the importance of facility construction in order to aid programs in rice research, turkey animal science, and research on small fruits grown in the Northwest and recommends to the Secretary that these areas receive very serious consideration by the Department.

Forestry Research

The American public is increasingly concerned about a variety of issues related to forested environments including wilderness preservation, destruction of rare and endangered animal and plant species, maintenance of biological diversity, tropical de-forestation, and global warming. Most of the scientific manpower for dealing with these issues and for teaching graduate and undergraduate students about these issues resides in the Nation's schools and colleges of forestry.

The Department of Agriculture currently does, and should continue to, play a significant Federal role in supporting programs of teaching, research, and extension dealing with forestry, wildlife, and natural resource issues under the authority provided in Title XIV. In addition, to emphasize the Committee's recognition of the growing significance of forestry and related issues, the Committee has for the first time approved a Forestry title (Title XV) as a part of this legislation. The programs established in Title XV will complement and expand on the continuing forestry programs authorized in Title XIV.

SUBTITLE B—GROUND WATER POLICY RESEARCH AND EDUCATION

For over 100 million Americans, clean ground water is a basic human need, from drinking to cooking to bathing. It is also necessary for irrigating crops, supporting surface waters, sustaining wetlands and fueling local industry. Over the last decade, there has been a growing awareness and concern about ground water contamination, particularly pollution by agricultural chemicals.

Over the past 18 months, the Committee has held field hearings to consult with farmers, environmentalists, operational experts in the field, the Administration, and academics to assess the magnitude of the ground water problem. Only a decade ago, we believed the chemicals used to grow our food would not reach down into the water table. We discovered, however, that each year, over 800 million pounds of pesticides, over 3.25 pounds for every man, woman and child in this country are used in agriculture. Another 10 million metric tons of commercial nitrogen fertilizer are used. Some of these chemicals are now found in ground water.

In testimony before the Committee, Secretary Yeutter and EPA Administrator Reilly discussed the specific attention their respective agencies are devoting to the ground water contamination issue. There was a concern among Committee members that while some progress had been made, the decade long history of task forces and studies on ground water policy has not produced a comprehensive policy to address the ground water pollution threat.

Specifically, the Committee determined that a ground water program must address three basic issues. First, the program must focus on the research necessary to make some of the fundamental decisions about environmental and agricultural policy. Second, the educational process within USDA or EPA to deal with ground water issues needs to be expanded. Finally, and most important, accountability for the ground water programs is critical since the responsibility for ground water issues cuts across Federal and State lines. Therefore, improved coordination, on the Federal level, and between the States and Federal Governments is essential.

The U.S. is entering a new era in which there will be an intertwining of agricultural and environmental policy in ways that will make these inseparable issues in the future. For this reason, legislation to address agricultural ground water pollution was included in this bill.

To prevent further erosion of the precious resource of ground water, the subtitle would establish a ground water policy program at USDA.

Accountability.—Currently, the Department has addressed the ground water problem through a $45.4 million Presidential Water Quality Initiative. Continued efforts must be made to further mesh the initiative in this bill with the President's Water Quality Initiative.

Part of the difficulty in forging an effective policy is that the ground water issue cuts across many agencies both within and outside of the Department of Agriculture including the Soil Conservation Service, the Agricultural Research Service, the Extension Service, and the Cooperative State Research Service at USDA, the U.S. Geological Survey (USGS), and the EPA. While the Committee determined that the core of effective ground water program lies in research and education, the key to success is accountability. For this reason, the subtitle makes specific individuals at the Department directly accountable for program implementation. The Secretary is required to establish an Office of Ground Water Policy Coordination within USDA. Further, the legislation establishes a Director of this Office whom Congress can hold responsible for USDA ground water quality initiatives.

Within USDA, the Director will serve as the focal point for coordination of a departmental agency-specific ground water policy statement and implementation plan and an annual agricultural ground water activities report. This should resolve some of the intra-departmental conflict over which USDA agency has the lead for ground water activities. The Director shall also be responsible for coordinating such ground water policies with all Federal departments and agencies. The Director will benefit from the support of a new Committee on Ground Water Quality as well as Technical Support Committees. The subtitle also requires the Director to prepare an assessment of programs administered by USDA relating to ground water which will aid in preparation of national agricultural ground water plans.

Solution to problem lies at the State and local level.—The ground water issue is a national problem that cuts across State and local lines. For this reason, the ground water problem will require action from the State and local levels.

The subtitle requires the Secretary to establish State intra-agency ground water coordination committees to coordinate the ground water programs of the Secretary with agencies of that State. The Committee recognizes that some States have sophisticated ground water protection programs. The USDA program should coordinate with these existing programs to avoid duplication of effort. In addition, the Administrator of the Extension Service will appoint within each State extension service a State Ground Water Quality Coordinator, who may be an employee of the Extension Service to, among other functions, serve as the focal point within the State for coordination of Federal and State agricultural ground water research and education programs.

Review of State plans, programs and needs.—The subtitle requires a review of State nonpoint source pollution plans and a review of State mapping of hydrologic units by both the ground water coordination committee and coordinator, in consultation with appropriate agencies and groups. It also requires a review of management practices under rural clean water programs. Finally, the

subtitle requires the ground water coordination committee and coordinator to assess the adequacy of State programs for addressing agricultural sources of ground water contamination. The intent of this provision is for USDA to determine how best it can support the States' ground water efforts. It is not intended for USDA to remove control of ground water policy from the States or from the EPA.

Extension and education.—Education and public awareness constitute one of two major prongs in the solution to protecting our nation's ground water from further contamination. New programs are established on chemical education, household chemical pesticides and fertilizers, and national water quality management education.

The Secretary, in concurrence with the EPA Administrator, is required to establish a new National Chemical Education Program within the Extension Service to provide information to improve the safety of pesticide and fertilizer use, except for those pesticides that have been classified as restricted use pesticides shall not be included in the Program. This last phrase was included to clarify that EPA, under FIFRA, will continue to have lead authority concerning the certification of applicators using "restricted use" pesticides. However, it does not preclude the Program from providing additional training on the safety of such restricted pesticides.

The subtitle establishes a National Education Program for the Management of Household Chemicals, Pesticides, and Fertilizers within the Extension Service to educate the public about the potential for such products to contaminate water resources and to provide information on safe methods of disposal.

The newly established National Water Quality Management Education Programs in the Extension Service would include a national training project for the training of ground water quality coordinators and a national training project concerning ground water protection, the latter to be implemented in the States. A national well water testing project would be established to provide information on well testing technology and uses to people who are dependent on private and public wells as a source of their drinking water.

Soil Conservation Service.—The SCS is another agency within the Department that has responsibility for ground water activities. This subtitle requires the Chief of the Soil Conservation Service, in consultation with the administrators of the state Agriculture Experiment Stations and Cooperative Extension Service to create a database concerning the agricultural ground water management practices that have been included in such plans by January 1, 2000.

Currently the Soil Conservation Service and the Extension Service are working to develop management practice guidelines to protect ground water. The subtitle establishes a deadline of not later than one year after enactment to incorporate these guidelines into the technical field guides published by the Soil Conservation Service. Within six months of enactment, the subtitle requires the Secretary to determine whether the national resources inventory can be modified to acquire useful information concerning ground water conditions and surface conditions that affect ground water quality and supply. The subtitle requires the Secretary to submit, within 90 days after the date on which Congress convenes in 1994, and

once during every 5-year period thereafter, a report concerning the activities undertaken by the Extension Service, the Soil Conservation Service, and conservation districts relating to certain program established in this subtitle.

USDA research programs.—The second key component of an effective ground water program is research. Currently, research data are not available to USDA to make some of the fundamental decisions about environmental policy as it pertains to agriculture. More work is needed to develop a better understanding of the movement of agricultural chemicals and nutrients through the soil, to develop more cost-effective monitoring and detection tools, and to develop agricultural management systems to protect ground water resources. In particular, the Committee intends that the Department emphasize research on affordable well testing technology. The subtitle requires research on 10 topics, many of which are currently underway at the Department.

Prioritizing Research Agenda.—A significant amount of research is underway at the Department on ground water. These research efforts need to be prioritized and the agendas integrated and coordinated. The bill requires the State ground water quality coordinator, with the State ground water coordination committee, to establish a prioritized agriculture and ground water research agenda for the State to be incorporated into the State Programs and needs assessment. Each State agenda shall be reviewed by the appropriate water quality committees of the respective regional divisions of the Cooperative State Research Service. Such information shall be used in the establishment of a national agricultural ground water plan, in the development of funding priorities, and in Cooperative State Research Service project and activity proposals under this title.

Coordination of Activities.—The Director shall cooperate with the USGS, EPA and with State and local governments to monitor and conduct evaluations of the effectiveness of water quality activities.

Funding.—The proposed "National Agricultural Research, Extension, and Teaching Policy Act of 1990" (S. 2386) contained higher authorization authorities for the Ground Water Policy and Research and Education subtitle than does this legislation. In discussions with the Department, USDA officials stated that appropriated funds are currently being used for the Water Quality Initiative and it was agreed that those funds shall continue to be used for ongoing support of existing ground water program authorizations. To avoid double counting of authorizations, the Committee reduced the levels accordingly to build upon the existing appropriations. The Committee intends to highlight this rationale for the lower levels so the revised levels are not misconstrued as providing diminished emphasis to the ground water issue. Minimum amounts of funding to implement the ground water programs under this section are specified for CSRS, ERS, and ARS.

National Agriculture and Ground Water Clearinghouse.

Significant reports, documents, and studies have been generated on ground water policy issues. The legislation requires the Administrator of the National Agricultural Library (NAL) to establish a

repository for such material produced under this subtitle; to compile other documents, Federal statutes relevant to agriculture and ground water protection; and to identify, list and provide information concerning access to such data bases and informational sources. In addition, the bill requires the Director to establish at the NAL an interactive data base on State programs.

SUBTITLE C—NATIONAL COMPETITIVE RESEARCH INITIATIVE

PURPOSE AND NEED

Competitive grants are an effective mechanism for allocating resources in agricultural research. Such grants are awarded on the basis of quality and technical merit as judged by experienced scientists serving on peer review panels. Less than $50 million is currently administered through the Department's Competitive Research Grants Office. The Committee has been impressed with the quality and focus of research conducted by the Department's competitive grants program.

In October 1989 the Subcommittee on Agricultural Research and General Legislation held a joint hearing with the House Committee on Agriculture, Subcommittee on Department Operations, Research, and Foreign Agriculture to determine how to develop a sound investment strategy for America's research agenda. The hearing focused on a National Research Council report entitled *Investing in Research,* whose basic premise is that agricultural research should draw on the entire U.S. science and technology research sector capacity. It should mobilize the Nation's scientific and engineering communities to advance the quality of agriculture, the food supply, and the environment.

The study concluded that competitive grants are a proven way of managing the research process while taking advantage of the fundamental importance of investigator initiated thinking, creativity, and energy in the research process. It is also the best way to retain top scientific quality, while making the programs responsive to broad Government objectives.

The Committee determined that a greater emphasis on competitive grant funding is essential to maintaining American preeminence in agriculture. The United States faces new and aggressive competition from abroad. Competitive grants reward research excellence wherever it may be found, inside or outside the traditional agricultural research establishments. The competitive grants system has produced landmark scientific discoveries. The National Institutes of Health (NIH), National Science Foundation (NSF), and other agencies have benefitted from peer reviewed competitive grant funding.

The competitive grant system has achieved excellence because it is flexible and responsive to new and emerging high priority research areas. It recognizes that certain research initiatives demand a large pool of resources and that the competitive grants system can better allocate such funds according to national priorities.

In 1988, the USDA distributed less than $50 million in competitive grants compared to $6.4 billion provided by the National Institutes of Health (NIH). The Committee heard testimony that, because the NIH and NSF programs have so much more money avail-

able, many of our top scientists are attracted away from working on food and agricultural problems to focus on NSF or NIH priorities.

For this reason, the Committee has authorized $400 million in new funding to strengthen our competitive grants program, to be administered through USDA's Competitive Research Grants Office. The Committee does not intend this additional funding to be offset by funding from the formula funded research programs or by a reduction in other agriculture programs. Formula funded research of our current agricultural research and delivery system will continue to be critical to the success of our national commitment to agriculture. The Miscellaneous subtitle of this title contains a Sense of the Congress resolution that any increase in competitive grants should not be taken at the expense of the formula funded research programs.

In expanding the proportion of Cooperative State Research Service (CSRS) funding to be awarded using the competitive grant system, the Committee urges the Department to support excellence on a broad geographic basis and to develop programs to help assure an improved level of competition nationwide.

The National Initiative has specified categories of grants, which are reflected in this bill, in order to provide an adequate distribution of resources. This subtitle provides specific authority to allow the Department to award grants to assist institutions to improve the competitive abilities of their researchers and research entities. The Committee expects that the new investigator grants will ensure that young researchers are encouraged to pursue innovative projects early in their careers. Multidisciplinary grants are also provided to encourage research cooperation between researchers within the agricultural sciences as well as teamwork with scientists in other disciplines.

Grants are also encouraged to enhance the competitive abilities of small and mid-sized institutions who have not previously been successful at obtaining competitive grants. One of the primary reasons these institutions have not been successful at obtaining competitive funds is that they lack the necessary research infrastructure to conduct competitive basic research. The Committee expects that schools such as the 1890 land grant colleges and institutions will benefit from competitive grants.

Grant selection should take into consideration the priorities established in this legislation. The Committee has structured a competitive grant system to include two stages of review—a peer review by scientific experts able to comment on the technical merit of a proposal as well as a program review by a panel of experts in the field of agricultural policy. The new system of review is similar to one used by the National Institutes of Health and will ensure that the program is balanced among the various areas of agricultural science and that it addresses the priorities established in section 1403A of this legislation and the priorities established by the Joint Council and the Users Advisory Board.

Farmers are seeking new systems of production that will allow them to reduce chemical inputs that would significantly harm the environment, halt soil erosion, and protect precious water supplies. In short, farmers will benefit from government research that provides the answers they need to farm more ecologically.

The National Academy of Sciences in their landmark study *Alternative Agriculture,* wrote: "The hallmark of an alternative farming approach is not the conventional practices it rejects but the innovative practices it includes."

The purpose of this legislation is to help provide farmers with the knowledge they need to be innovative land stewards. Sustainable agriculture deals with the concept of a total farm system. In contrast, much of our ongoing production-related research is focused on parts or relationships involved in farming—for example, on the effects of different levels of a single input or technology on the yield of a particular crop. Often, the latter research can make an important contribution to the development and testing of knowledge about sustainable practices. The results of sustainable agriculture research, in turn, can increase the payoff from ongoing research by identifying the component problems that it should address.

The Committee recognizes that there are different degrees of knowledge regarding sustainable agriculture and that lowered inputs may not prove feasible in all cases. For this reason, this subtitle contains two different definitions of sustainable agriculture. The Committee chose to emphasize the low-input aspects of sustainable agriculture within Chapter 1, which provides for the LISA research program, the technical guides, and a Federal-State matching grant program. The definition in Chapter 1 was developed by the Board on Agriculture of the National Academy of Sciences and contained within the report, Alternative Agriculture. Chapter 2, which provides for an Extension Service Training Program, contains a broader definition of sustainable agriculture more applicable to the wide range of production circumstances confronting producers across the country.

Low-Input Sustainable Agriculture Research and Education Program

This section amends the Agricultural Productivity Act of the 1985 Food Security Act, commonly referred to as the "LISA" program. This new language better reflects the program as currently administered and requires increased farmer involvement in the research projects.

LISA or Low-Input Sustainable Agriculture is but one of several names used to describe an agricultural system that, for generations to come, will be not only productive and profitable but will conserve resources, protect the environment, and enhance the health and safety of the citizenry.

"Low-input" was added by the Department of Agriculture to the term sustainable agriculture after the LISA program was first authorized, simply to give more meaning to the rather general concept of sustainability and to head off a possible misinterpretation

that the real purpose of the program was to eventually eliminate the use of all purchased agricultural chemicals on farms and ranches as an end it itself.

In 1988, The House Appropriations Committee report introduced the words "low-input farming". It said "The term 'low-input' is used to describe the implementation of alternative systems to lower costs of production". The Senate language used "reduced input" instead of "low-input". It said, "A growing number of farmers are now looking for reliable information on reduced input farming systems. These farmers are interested in learning how alternative farming methods can be used to reduce production costs and control soil erosion and the pollution of underground water supplies."

The LISA program has now been in full operation for several years. The program has been so successful that many more grant applications are received than can be funded. Only thirteen percent of the project proposals submitted have received funding. In contrast, the other competitive grant research programs administered by USDA are now funding an average of 20 percent of proposals received. Because of the importance of this research, the Committee authorizes a substantial new funding for this program. As recommended by the National Academy of Science, $40 million dollars is authorized to carry out the purposes in Chapter 1.

New Initiatives

A new fifty-fifty State-Federal matching grant program is established to encourage and assist States in the creation or enhancement of State sustainable agriculture research, extension, and education projects. The Committee sees this as secondary to the overall sustainable agriculture initiative. Funding for the national programs should not be directed toward the State-Federal matching grant program. To this end, funding for the State-Federal matching program begins only after the LISA are committed.

The Secretary is also required to develop technical guides to assist farmers and agriculture professionals in understanding the mechanisms of low-input sustainable agriculture systems. The guides are to be coordinated with ongoing efforts of the Soil Conservation Service and the Extension Service in order to provide comprehensive technical guides. Such information could be included in existing publications.

Animal Well-Being

The Committee recognizes that it is necessary to determine through scientifically valid means those physiological and stress-related factors which determine the well-being of animals in an economically viable animal agriculture system.

Physiological and stress-related needs, when met in the context of efficient farm animal production systems, contribute to animal health, reproductive efficiency, growth and physical well-being. Research necessary to balance physiological and stress-related factors in the production context should receive a high priority within traditional USDA research programs in order to maintain efficient animal production practices and facilitate adoption of emerging technologies.

National Training Program in Sustainable Agriculture

This section establishes a national training program in sustainable agriculture for Extension Service agents and other agricultural leaders who disseminate information on farming methods. A minimum of two national centers will be established at existing facilities to serve as central locations for intensive classroom and field instruction for specialists. A competitive grants program is also established for regions to establish workshop training programs.

It is the Committee's intent that by 1995 all Extension Service agents involved in agriculture attend either the intensive training at the Centers or the workshops in the regions.

Extension Service Pesticide Application Advice

This section is designed to assist and encourage Extension Service agents to offer advice to farmers on reduced pesticide applications by allowing such agents to advise farmers to apply any pesticide at a dosage, concentration, or frequency that is less than that specified on the pesticide label if there is research to indicate that use of the pesticide at the lower rate would be efficacious.

Biotechnology Risk Assessment Research

Biotechnology presents risks and opportunities for United States agriculture. As the research community explores various uses of this powerful technology, it is important that environmental risks are considered.

In 1987, an important workshop organized by Boyce Thompson Institute for Plant Research, Cornell University's Center for Environmental Research and the College of Agriculture and Life Sciences, reviewed issues surrounding genetically engineered crop plants. The report from that workshop, "Regulatory Considerations: Genetically-Engineered Plants," includes two important recommendations. First, that biogeographic distributions and ecological profiles be completed of the relatives of crop plants, with an initial focus on crops such as sorghum, sunflower, and clover, with wild relatives in the United States where transfer of genes from engineered crops to wild relatives could be a problem. Second, the report recommends research on the overall ecology of crops including how their pollen moves around, how they transfer genes back and forth, who eats them, and other factors. Such data, the report argues, will help us quantify the possibility that gene transfers might occur in natural settings.

The Committee directs the Secretary to establish a biotechnology risk assessment research program at the USDA to help researchers make sound judgements about the overall impacts of genetically engineered organisms in order to minimize risks and to help regulators make scientifically sound and timely decisions.

Coordination of Integrated Pest Management Activities

Integrated Pest Management (IPM) systems provide alternatives for addressing food safety, groundwater contamination, and other health and environmental problems, while assuring continued productivity for the American farmer. As part of a multidisciplinary

approach to research and demonstration projects, the Secretary, through the Assistant Secretary for Science and Education, must coordinate cultural and biologically based research efforts to manage effectively pest resistance.

This can best be accomplished through national integrated pest management efforts to assess and develop production systems for specific crops and research and technology transfer systems that incorporate the expertise of the Department of Agriculture, the Environmental Protection Agency, State Extension Experiment Stations, industry, and environmental groups.

At the international level, the Secretary, through the Office of Cooperation and Development (OICD), must play an active role in developing and participating in IPM resistance management programs through coordination with international government, academic, industry, and environmental groups.

Subtitle E—Miscellaneous Provisions

PURPOSE AND NEED

Pet Theft Act.—The Pet Theft Act, which amends the Animal Welfare Act, is similar to S. 2353 which passed the Senate in August 1988 and was not acted upon in the House. The intent of this provision is not to stop the use of pets in research activities but rather to prohibit the use of stolen pets in research.

The bill achieves this purpose by placing restrictions on "Class B dealers" (buyers of dogs and cats who then sell them to research institutions). This legislation prohibits Class B dealers from obtaining cats and dogs at auction sales. The Committee is aware of documented cases in rural communities where dogs and cats are stolen and sold to Class B dealers at auctions. This provision is designed to discourage such theft. The bill also requires more extensive record keeping for dealers and research institutions to ensure that when there is a problem, the animals can be found. The Committee is aware that the Department has promulgated regulations which begin to address this area.

The bill also provides adequate opportunity for pet recovery and adoption by requiring pounds and shelters to hold animals for at least 5 days, including a Saturday. This will allow people who want to find a pet sufficient time to do so before that animal is sold.

This legislation does not affect States or localities that prohibit pound seizure. It also does not affect State law prohibiting the release of animals from pounds or shelters for research purposes.

Tribally controlled community colleges.—The tribally controlled community college system was established by native Americans to improve educational opportunities on reservations. These young, vital colleges, primarily two-year institutions, offer a conventional collegiate curriculum allowing students both to complete formal degrees and to prepare themselves for transfer to four-year institutions. They also enroll older students who cannot leave their home, and serve as re-entering institutions for those who may have dropped out. Tribal colleges also provide enrichment for the secondary schools that surround them.

Senate hearings on Indian agriculture indicated a need for increased agricultural opportunities on reservations. The Committee

wants these colleges to receive Federal support in much the same way as the 1890 colleges benefit from the Morrill-Nelson Act. For this reason, the Committee has allocated $50,000 to each accredited tribally controlled community college. The Committee would like to clarify that funding of tribally controlled colleges should not occur at the expense of a reduction in funds for 1890 schools.

Reservation Extension Agents.—The Extension Service was established to provide information on subjects relating to agriculture to the people of the United States. Senate hearings on Indian agriculture indicated the need for increased agriculture opportunities on reservations. It has come to the attention of the Committee that the Extension Service has not been adequately serving the Indian community. Section 1486 directs the Secretary to establish reservation extension agents to provide extension services to Indian reservations and tribal jurisdictions. When placing and developing programs, the Secretary shall consult with the Bureau of Indian Affairs, the Intertribal Agriculture Council, and the Southwest Indian Agriculture Association. It is the intent of the Committee for the reservation extension agents to be administratively responsible to the cooperative Extension Service of the State within which the reservation or tribal jurisdictions is located.

Community development award.—Under this section, the Secretary is directed to establish a National Community Development Award for land grant complexes. By land grant complex, the Committee means the system within an individual state consisting of the land grant university, the State Agricultural Experiment Station, and the State Cooperative Extension Service.

The Committee desires that the agricultural research, extension, and teaching system remain committed to its mission of aiding rural communities and farmers. The purpose of this award is to recognize outstanding State systems that pursue research and extension projects which meet particular needs of the community served by the land grant complex.

Repeals.—The following five programs are repealed: Technology Development for Small and Medium Sized Farming Operations; the Special Technology Development Research Program; the Supplemental and Alternative Crops; the Solar Energy Program; and the Agriculture Productivity Act. The first four programs are repealed either because funds were never appropriated or their authorizations have lapsed. The last program repeals the authorizing language for the current low-input sustainable agriculture (LISA) program and is replaced with a new LISA substitute contained in subchapter D.

Research facilities.—Independent reviews by the General Accounting Office, the Office of Technology Assessment, the National Academy of Sciences, the National Science Foundation, the National Association of State Universities and Land Grant Colleges, and the Users Advisory Board (UAB) report that many of our Nation's research facilities are underused, run-down, and duplicative of other facilities. We are spending too much of our limited agricultural research budget on facilities and not enough on research. Further, the planning process for the acquisition or modernization of research facilities utilized by the Department of Agriculture and the Congress needs to be reviewed.

While some of the problems have been addressed, the Users Advisory Board recommended closing 20 Agricultural Research Service facilities in fiscal year 1989 and another 20 in fiscal year 1990. The Users Advisory Board has argued that consolidation of ARS facilities would generate multi-millions in savings which could be reallocated to upgrade remaining facilities and to invest in the Cooperative State Research Service competitive grants program.

For this reason, the Committee has established the Agriculture Research Facilities Planning and Closure Study Commission with the expectation that this will be the first step towards establishing a coherent, comprehensive policy to maximize America's research infrastructure. Clearly, our present system needs an overhaul. We need to consolidate and close outdated facilities, reinvest in the upkeep of existing facilities, and institute a national plan for the construction of new facilities.

Much study and analysis has been done on the facilities issue. The question has been asked—how will this commission differ from the numerous studies already completed by independent sources? The response is that the analysis and recommendations of previous studies have focused on the general facilities problem, rather than on specific facilities. The Commission established by this Committee has a mandate to review all currently operating and planned agricultural facilities for research importance; to identify those facilities that should be closed, realigned, consolidated, or modernized, in order to aid in carrying out the research agenda of the Secretary; and to develop recommendations concerning agricultural research facilities and evaluate the facilities acquisition and modernization system utilized by USDA and recommend improvements in such system to the Secretary.

The National Association of State Universities and Land Grant Colleges has recommended that Congress fund a $100 million annual competitive facility grants program. The Commission should consider the land grant report on competitive awarding of facilities in their consideration of what to recommend as a better process for investing in America's research facilities.

The Commission's work is the beginning of a process to restore confidence in the facilities planning process and to help reassert America's leadership in agricultural research. This Commission is similar to the bipartisan commission on military base closings.

The Commission's report on research facilities will be critical in laying the groundwork for Committee action on the research facilities issue in the coming years. It is only through such an initiative that this Committee and the Congress can provide the leadership necessary to ensure that American agriculture will continue to meet future challenges through the next century.

Rural Rehabilitation and Assistive Technology Program for Farmers with Disabilities

The Committee recognizes that some farmers experience permanently disabling accidents, injuries, and illnesses every year. Thousands more have health-related conditions that affect their ability to handle essential farm tasks. Estimates based on the 1980 census suggest that nearly 13 percent of the nation's 80 million rural residents have some form of disabling condition. Nationwide, over

500,000 farmers, ranchers, and agricultural workers have physical disabilities which limit their ability to farm or perform related work.

Farmers with disabilities who want to continue to farm face many barriers, including rural isolation, limited financial resources, and inadequate access to rehabilitation programs and services are among the factors which commonly impede their return to farming.

To assist farmers with disabilities to overcome these barriers and to help them safely and successfully accommodate their disabilities in farm operations and rural life, the Committee supports the establishment of the "Rural Rehabilitation and Assistive Technology Program for Farmers With Disabilities." This program will be accomplished through two complementary efforts to be carried out under special demonstration grants and a national grant for technical assistance, training, and dissemination.

The Special Demonstration Grants section is intended to support the initiation or expansion of community-based direct service programs that provide on-site rural rehabilitation, assistive technology, and other services to individuals with physical disabilities and their families engaged in farming or farm-related occupations. This program adopts the principles and techniques of the National Easter Seal Society's Farm Family Rehabilitation Management (FaRM) model program. This program provides a comprehensive orientation process and plan to promote the implementation of programs to assist farmers with disabilities return to farming, independence, and rural community life.

The Committee expects that these special demonstration grants will be awarded to selected state extension service agencies for the administration of multiyear contracts with private nonprofit community-based direct service organizations to initiate, expand, or sustain the service program described above. Awards will be made to States that demonstrate a need for program services among farmers with disabilities and the presence of a private nonprofit community-based direct service organization capable of and interested in carrying out the program.

The National Grant for Technical Assistance, Training, and Dissemination shall be awarded to a national private nonprofit disability organization with experience in the provision of rural rehabilitation and assistive technology services to farmers with disabilities to enable such organization to provide specialized services and support, including technical assistance, training, and information dissemination, to community-based direct service providers participating in the special demonstration grants program. The Committee expects that the national organization receiving this grant will have full knowledge of the National Easter Seal Society's Farm Family Rehabilitation Management (FaRM) model program, have significant experience in carrying out public education and awareness activities concerning persons with disabilities, and have the capacity to effectively disseminate information acquired through the program in ways which build on the existing network of rural rehabilitation and related information activities.

TITLE XV—FORESTRY

The forestry title builds on Department of Agriculture (USDA) forestry programs by expanding assistance for State and private forestry. These programs provide incentives to land owners to manage their forest lands for a wide range of economic, environmental, and social benefits. In contrast to Federal land management, where many decisions are made unilaterally, State and private forest management decisions are made through cooperative Federal, State, and private sector partnerships.

The Rural Forestry Assistance program expands technical assistance authorities beyond timber management and insect and disease control to assistance for recreation, fish and wildlife, aesthetics, and other forest uses.

The Forest Stewardship Program authorizes $25 million annually to bring 25 million additional acres of private forest land under voluntary, environmentally sensitive forest management within 5 years. Management decisions are based on landowner objectives. A Forest Stewardship Incentives Program enhancing financial incentives for multiple use management practices on private lands is established to help meet the goals of the Forest Stewardship Program. A Forest Legacy Program is established to protect through conservation easements environmentally sensitive forest lands that are threatened by conversion to alternative uses. These three programs require cost sharing with State, local, non-governmental organizations and the landowner, and allow a wide range of forest management activities including timber management.

Existing insect and disease assistance programs are expanded to include assistance for protection of forests from manmade causes, such as air pollution. Integrated pest management programs, forest health monitoring programs, and emergency insect and disease funding are also established.

A rural fire fighting mobilization program is authorized to encourage Federal, State, and rural fire fighting organizations to work together. A rural development education program is established within the Extension Service (ES).

An intra-USDA forestry coordinating committee is established. A framework for State committees, comprised of Federal, State, and public representatives, is created to help coordinate and facilitate the implementation of State and private forestry programs in each State. These committees allow each State to address unique forestry opportunities it faces.

A freestanding competitive research grant program for forestry, natural resources, and related environmental concerns is established. A Southern Forest Productivity Grant Program and Southern Forest Regeneration Center are also established. A competitive grant program for graduate students and undergraduate women and minority students is created. USDA research and education programs are also established.

The Secretary is required to report on the implementation of incorporating wood products and processed wood products into international trade authorities.

A disaster assistance program is established to assist landowners to reforest lands that are damaged by natural disasters.

Purpose and Need

This title addresses USDA forestry programs by expanding programs to help private landowners manage their forests lands for economic, environmental, and social benefits. The purposes are to establish cooperative Federal, State, and local forestry programs for the private landowner; establish a Forest Stewardship Program with the goal of bringing an additional 25 million acres of private forests under voluntary forest management by 1995; broaden existing technical and financial assistance programs; establish a Forest Legacy Program for permanent protection of forest land from conversion to alternative uses; strengthen forest health, fire, rural development, and international trade programs; strengthen research and educational programs; and create a disaster assistance program for private forest landowners.

Forestry's absence from past farm bills is clearly evident. Though forestry is one of USDA's primary responsibilities, it has historically been treated independently from other agricultural resources. Although independent treatment is appropriate for public forest management issues, the Committee believes that State and private forestry programs should be more aggressively coordinated with agricultural policy and that greater emphasis should be placed on the economic and environmental benefits these forestry programs provide.

Federal assistance to the Nation's State and private forests has been severly reduced since Congress passed the Cooperative Forestry Assistance Act, Renewable Resources Research Act, and Renewable Resources Extension Act in 1978. From 1978 to 1988, the Forest Service's State and Private Forestry budget was cut by 44 percent in real dollars. From 1981 through 1988, the cooperative programs, which provide technical assistance to forest land owners, were cut by 90 percent in real dollars.

As Federal commitment to State and private forestry declined, public interest remained high. In recent years, however, there has been a renewed Federal interest in State and private forestry. For example, Congress recently authorized a study of the threats to the mostly private forestlands of northern New England and New York; numerous bills addressing State and private forestry have been introduced during the 101st Congress; and the Administration has committed itself to an aggressive community and rural tree planting program. The Committee recognizes these efforts and the need to coordinate them by including for the first time a forestry title in this legislation.

Strengthening State and private forestry activities among conservationists, public foresters, consulting foresters, industry foresters, loggers, and landowners will result in more effective forest conservation in the United States.

SUBTITLE A—COOPERATIVE FORESTRY ASSISTANCE ACT

There are 8 million private forestland owners who own 348 million acres of forest land. Although public policy often focuses on publicly held National Forests, private landowners own 72 percent of the nation's forests; 52 percent of which are non-industrial private land owners.

These private lands produce important environmental and economic benefits. Private forests provide 66 percent of fish and wildlife habitat, 74 percent of the nation's wetlands, and 47 percent of the Nation's wood supply. Moreover, domestic demand for wood products and other forest resources is expected to double over the next 50 years. In order to meet future demand for both commodity and non-commodity resources, protection and productivity of all forest resources must be augmented on private lands.

State and private forest lands are threatened nationwide. The 1989 Resource Conservation Act appraisal shows that over half of the Nation's forest lands are in need of some type of conservation treatment. Development activities absorb an estimated 1.5 million acres of forestland annually. In Maine, 23,000 acres were subdivided into 580 lots between 1985 and the beginning of 1988. Then in the last nine months of 1988, 17,000 more acres were subdivided into 331 lots. This trend on private forest land is occuring at the same time as demand for non-commodity resources on public forestland is competing with historically dominant commodity production, thereby increasing demands on private forestlands even further.

As timber supplies from public and private and industry land remain constant, or decrease, in the future, harvests from nonindustrial private forest land may be needed to meet a projected 70 percent increase in demand over the next 50 years. Given the importance of nonindustrial private forest lands in meeting the Nation's demand for wood products, a continuing level of Federal involvement on these lands is essential.

USDA currently provides landowners with forestry assistance. The Cooperative Forestry Assistance Act (1978) (CFAA), along with the Conservation Reserve Program and the Agriculture Conservation Program, provides authority for the Forest Service to provide technical, financial and related assistance to State forestry organizations and private landowners. This assistance is primarily limited to timber, insect, and disease management. The CFAA recognizes, but does not focus, on other forest uses such as fish and wildlife habitat, recreation, agroforestry, aesthetics, and soil and water quality. Moreover, current law does not address conversion of forestlands to alternative uses.

To meet present and future environmental and economic demands, Subtitle A modifies the CFAA in three ways: it amends the Rural Forestry Assistance Program, establishes a Forest Stewardship Incentives Program, and establishes a Forest Legacy Program. These three programs, herein collectively referred to as the Stewardship Programs, should be developed and implemented so that they maximize the delivery of information and services to landowners. In delivering these programs, forestry professionals should present the Stewardship Programs as one package with three program options that may be used separately or in an integrated manner by the landowner. These forestry "tools" should be used by the landowner to meet his or her own objectives in an environmentally sensitive manner.

Stewardship Programs should complement and strengthen existing Federal, State, and local delivery systems. Stewardship Programs should also be tied to existing USDA State and private for-

estry program appropriations. Non-governmental and private sector programs such as, but not limited to, Global ReLeaf, American Tree Farm System, and forest land protection trusts should play an integral role in forest stewardship implementation.

Rural forestry assistance

Section 1513 replaces and amends the existing Rural Forestry Assistance educational and technical assistance programs of the CFAA. Section 1513(d) authorizes a new Forest Stewardship Program to bring an additional 25 million acres of private forest land under voluntary, long-term forest management from 1991 through 1995. The Committee intends that a forest management plan, based on landowner objectives, should serve as the basis for bringing a landowner into the program. The Committee also intends that forest assistance practices not specifically addressed in section 1513, but congruent with the purposes of this legislation, should be incorporated into assistance programs at the Secretary's discretion. Goals for future Forest Stewardship Program target levels should be made in the 1995 farm bill.

Forest stewardship incentives

Section 1514 establishes a new Forest Stewardship Incentives Program (FSIP) within the CFAA. The FSIP expands financial assistance beyond the existing Forestry Incentives Program's (FIP) emphasis on tree planting to include an array of forest uses. In return for financial assistance, the landowner is required to retain his or her land for forest uses for 20 years. This 20 year requirement provides a fair forest land retention incentive, thereby helping to ensure that Federal monies will not be spent for forestry practices where no long-term benefit is realized. Recognizing that a landowner may choose to convert his forestland, a penalty payback provision for discontinuing a cost shared practice was established. This penalty should be no more than the amount of cost share received.

The existing FIP and the new FSIP are separate programs. However, the FSIP provides that the delivery of timber management assistance be accessed through the FIP program. The Committee intends that the Secretary coordinate the implementation of these programs so that delivery of these programs to the landowner is as efficient as possible with financial assistance being provided through the FSIP.

Forest Legacy Program

Section 1514 also establishes a Forest Legacy Program (FLP) which includes a conservation easement pilot program for existing forestlands in the northern forest lands of Vermont, Maine, New Hampshire, and New York. The Committee notes that USDA should not limit easements to lands within the Northern Forest Lands Study boundaries, but to the northern forest land States themselves. Pilot projects in the Northeast, Midwest, Southeast, and West regions are authorized and should be established expeditiously upon receipt of a needs assessment. The Committee maintains that Washington State should receive special attention and be incorporated into the FLP upon receipt of an assessment of its

needs. The Committee anticipates that a national program will be established within 3 years after the date of enactment.

With pressure on corporate and other large landowners to convert forestland to alternative uses, the Committee has not limited participation based on number of acres owned. However, special care should be taken to assure that these landowners follow the same guidelines that are established for landowners with smaller holdings.

Easements should be held by the Secretary, through the Forest Service, or a designee. The Secretary may designate easement control, management and/or enforcement to States, local political subdivisions, or private land trusts. For land trusts to qualify, the minimum requirements should include nonprofit status, Federal tax exemption, incorporation under State law, and land conservation or preservation as a principal purpose. The Secretary should establish guidelines for non-USDA organizations to follow if control, management, and/or enforcement is designated. FLP easements held by private land trusts should include a reversion provision whereby the easement would revert to the State or Federal Government if the land trust dissolves or otherwise could not continue to monitor the provisions of the easement.

The Committee intends that the Secretary, or his designee, should contact and educate individual landowners about the FLP. Landowners cannot be coerced into joining the program. However, successful implementation of the FLP will require proactive contact with landowners about the FLP opportunities. Care should be taken to inform landowners that all agreements are willing seller/willing buyer and that landowners will receive fair market value for any private property rights they sell.

Given the national interest in conservation easements and the establishment of many easement programs, the Committee encourages the Secretary to undertake a Stewardship Trust Study. This Study would evaluate an easement program that incorporates existing USDA easement programs into one umbrella program. The study should look at: budget saving options; the ability of States to provide matching funds; existing State, local and non-governmental organization easement programs; existing easement enforcement and management programs; and other items deemed appropriate by the Secretary.

Forest health control

Section 1515 amends and replaces the Insect and Disease Control program of the CFAA with a Forest Health Control program.

The Forest Health Control program incorporates protection from manmade causes into the existing program which now focuses on insect and disease protection. The Secretary is encouraged to develop a list of manmade causes that should be included in the program. New programs include: establishment of a forest health monitoring system; expansion of pesticide application assistance programs; authorization of forest health pilot projects; authorization of silvicultural assistance for forest health purposes; establishment of Federal and State financial partnerships for forest health monitoring; and authorization for the Secretary to advance funds for emergency pest suppression.

The Committee notes that no part of the existing program was deleted by these amendments. Furthermore, the Committee intends for new rule making to only address those provisions of section 1515 that are new or which need to be coordinated with existing programs.

Rural revitalization through forestry

Section 1517 strengthens the rural revitalization program within the Extension Service. The Committee's intent is to allow the Extension Service to undertake rural development education and cooperate with the Forest Service in implementing their new Rural Development Strategy. The objective of these programs is to help diversify the economies of rural communities that have declining economic bases due to declining timber and forestry-related activity.

Federal, State, and local coordination

Section 1518 establishes an intra-USDA coordinating committee for agencies with forestry responsibility. Section 1518 also establishes a framework for State forestry advisory committees. The purpose of these provisions is to facilitate implementation of State and private forestry programs nationwide.

The objective of the intra-USDA coordinating committee is to revise and formalize the 1978 USDA Interagency Agreement on Forestry. Effective delivery of forestry programs requires USDA agencies to integrate limited financial and human resources in a consistent manner. The Committee expects the USDA coordinating committee to meet at least twice a year.

One of the USDA Coordinating Committee's first responsibilities should be to formulate a group to help implement this title. USDA is encouraged to work with individuals who have been involved in multiple use State and private forestry projects such as, but not limited to, the Forest Service's Northern Forest Lands Study, the American Forestry Association's Global ReLeaf Program, the Pennsylvania State University's Enhancing Rural Economies through Amenity Resources Symposium, West Virginia University's Income Opportunities For the Private Landowner Conference, and Purdue University's Private Forest Productivity Workshop.

The Committee has determined that State and private forestry programs both within USDA and in individual states are often fragmented, sometimes leading to inefficient and duplicative forestry delivery programs. The Committee strongly believes that successful implementation of this legislation, and progress in forest management in general, must incorporate strengthened Federal, State, and local partnerships and that these relationships must incorporate input from non-governmental organizations, the private sector, and landowners.

State foresters are given great flexibility in establishing their State advisory committee. Existing committees should be used whenever possible. However, States should assure that representation goes beyond State and Federal agencies and includes strong representation of public members and of landowners. Forestry agencies who are insulated from public and landowner input would

certainly have difficulty implementing effective programs in the future.

The Committee encourages the development of regional organizations to address forest management threats and opportunities. The Northern Forest Lands Study, which examined development problems in Maine, New Hampshire, New York and Vermont, provides a model for such regional efforts. The USDA Forest Service should continue to provide support for such efforts.

Use of the private sector

The Committee recognizes that the CFAA already directs the Secretary and the Secretary's cooperators, such as State foresters, to use private agencies, consultants, organizations, firms, and individuals to the maximum extent practicable to furnish necessary material and services to implement the act. The amendments to the CFAA under this title are not intended to change or in any way diminish such a mandate. In this regard the Committee affirms the policy of the Forest Service to use private sector aircraft in its operations to the maximum extent and when available, and to use natural resource consultants as outlined in OMB Circular A-76 whenever to do so is appropriate.

SUBTITLE B—RESEARCH AND EDUCATION

Increasing environmental awareness and concern in America is focusing public attention on a variety of forestry issues. To adequately address this attention, Federal support for expanded programs of research and education is needed. This assistance will help ensure the health, vitality, productivity and environmental quality of our nation's forests.

As environmental challenges grow as we move into the 21st century, the greatest hope for meeting these challenges resides in the scientific research capabilities of our colleges, universities, and Federal, State, and private research institutions. The Committee is committed to providing answers to these challenges by protecting and expanding the Nation's research institutions and educational programs.

McIntire-Stennis cooperative forestry research

For almost 30 years, the McIntire-Stennis program has been at the forefront of scientific research and graduate teaching in forestry and related disciplines. The McIntire-Stennis program is a partnership between the Federal and State governments. Since the program began, the States' share of funding has grown significantly. Many States now leverage McIntire-Stennis funds as much as eight to one.

Section 1521 reiterates the Congressional commitment to the McIntire-Stennis program. The inclusion of McIntire-Stennis matching funds into university-based forestry research programs has provided valuable assistance in addressing a multitude of forestry issues. The development of educational opportunities has been equally important. Thousands of men and women have received graduate degrees through the McIntire-Stennis program and

have become talented and dedicated forestry leaders in academia, industry, and government.

The Committee is strongly committed to seeing that the McIntire-Stennis Cooperative Research Program is maintained by the Cooperative State Research Service. The Committee has determined that there will be an even greater need for forestry research and education programs in the years ahead. Consequently, McIntire-Stennis funding levels should be stabilized at the minimum and where possible increased.

Competitive forestry, natural resources, and environmental grants program

An active and adequately funded competitive grants program is an important complement to the formula funding of the McIntire-Stennis program. Section 1522 fulfills this grant program need.

The Committee recommends that eligible entities to receive such grants will include qualified researchers in colleges or universities, State agricultural experiment stations, Federal agencies, and non-profit organizations. Such grants should be made up to five years and should be used for research or purchase of research facilities that provide state-of-the-art studies on approved research subjects.

Southern forest regeneration program

The Forest Service, in its report "The South's Fourth Forest", notes that there are nearly 182 million acres of forests in the South which are critical for the Nation's future timber demands and are essential to environmental concerns such as climate change, atmospheric CO_2 levels, wetland functions, species diversity, water quality and wildlife habitat. Approximately 90 percent of this timberland is in private ownership, with the majority of ownerships residing in non-industrial timber ownerships. Much of this timberland has been harvested with little regard for renewal to supply future generations. In fact, current surveys in the South show that net annual timber growth of softwoods has leveled off or begun to decline. A major cause for this problem is lack of adequate regeneration.

Chapter 2 directs the Secretary to establish a Southern Forest Regeneration Center to address these regeneration problems. The Committee encourages the Secretary to establish similar regeneration programs in other regions of the country that are experiencing regeneration problems.

Southern forest productivity competitive grant program

"The South's Fourth Forest" also identified the growing and competing demands being placed on timberland in the South for timber supply, recreation, wildlife habitat and other uses. In response to this study, the Forest Service, in collaboration with the southern forestry schools, developed the Southern Forest Productivity Program to address these concerns.

An important component of the original program was a competitive grants program to complement Forest Service research. This competitive grants program has not been implemented. Chapter 3 directs the Secretary to establish a competitive grants program to be administered by the Forest Service so that the goals and objec-

tives envisioned for this program by the Forest Service, the colleges and universities, and the forest industry can be fully realized. Eligible recipients for grants from the Forest Service shall be qualified researchers at colleges or universities, private research institutions, non-governmental organizations and State and Federal agencies.

The Committee intends that this competitive grants program should continue even if the Forest Service does not continue the Southern Forest Productivity Program as a priority research program. The Committee directs the Forest Service to begin this program in FY 1991 with a first year goal of not less than $2.5 million in grants.

SUBTITLE C—INTERNATIONAL TRADE

Congress explicitly authorized the eligibility of wood and processed wood products as agricultural commodities for the USDA-administered Public Law 480 and the short-term and intermediate-term credit programs (GSM 102, GSM 103) of the Omnibus Trade and Competitiveness Act (Public Law 418). This Committee has also included wood and processed wood products in the definition of an agricultural product under the Research Title.

Export financing programs administered by the USDA have been successful in implementing markets in countries that would not normally purchase U.S. wood products. Despite success in using these credit programs, the industry has been limited to less than the full credit terms available under GSM 103 and has been virtually shut out of the Public Law 480 Title I programs.

A recently released report by the Congressional Research Service states that the executive branch agencies involved in the decision making process for promoting agricultural exports have differing opinions on how wood export promotion should be handled. The CRS report found that when reviewing wood proposals, some agencies state that wood products should be treated differently than other agricultural products.

Subtitle C requires the Secretary of Agriculture to report to Congress within the first year and every year thereafter, on the progress that has been made in using USDA-administered export financing programs to promote wood and wood products overseas. This report shall include monthly statistics and, if appropriate, a complete review of why wood products are denied program access.

SUBTITLE D—EMERGENCY REFORESTATION PROGRAM

The Committee has also included disaster relief provisions for non-industrial private landowners whose forest lands have been destroyed by a natural disaster. By including a disaster relief subtitle, the Committee recognizes the many natural risks such as fire, insects, and weather associated with long-term forest management.

Hurricane Hugo, for example, destroyed public and private timber land across Puerto Rico, South Carolina, North Carolina, and Virginia. In South Carolina alone, the Hurricane leveled 6.7 billion board feet valued at $1.04 billion. This loss rests squarely on individual and family timber owners, who account for almost 70 percent of South Carolina's forests.

Existing reforestation and disaster relief programs provide little assistance to forest land owners whose long-term investments take decades to realize. Programs such as the Forestry Incentives Program and Agriculture Conservation Program are not adequately funded, nor set up to address disasters. Moreover, the Federal Emergency Management Agency is not authorized to provide reforestation assistance.

Subtitle D provides a responsible disaster relief program based on the Forestry Incentive Program. This assistance will allow non-industrial private landowners to receive up to 75 percent cost share to reestablish forest lands hit by a disaster. As a part of the cost share, the landowner will be required to develop a forest management plan.

The Committee believes the Secretary should move quickly to assist Hurricane Hugo victims, and establish guidelines for future assistance efforts.

Title XVI—Organic Certification Program

Background

The market for organically produced food is growing as consumers begin to search for food alternatives at their local markets. Recent Harris polls taken in 1988 and 1989 produced identical results—eighty-four percent of Americans want to purchase organically grown produce and half of them are willing to pay more for such products. There appears to be a consistent demand for organic food and American farmers are ready and willing to deliver it to the supermarkets.

Growth in the organic food trade however has been hampered by a lack of consistent standards for production. The Committee believes that it is time for national standards for organic production so that farmers know the rules, so that consumers are sure to get what they pay for, and so that national and international trade in organic foods may prosper.

Twenty-two states now regulate organic food but no two State laws are alike. While State action represents a positive step forward for the organic foods industry, the differing State laws have also lead to consumer confusion and troubled interstate commerce.

For example, minor differences in organic milk standards create havoc for the industry. New Hampshire and Texas require dairy cows to be fed exclusively organic feed while Kansas, Maine, and South Dakota require unmedicated feed and California and Oregon specify time periods during which certain feed must be used. This is just one of many differences that exist among the States in organic production standards.

Farmers and processors have no choice but to produce and label their products according to conflicting standards. As a result, consumers are left to decipher a confusing array of private and State labels. Even the most sophisticated organic consumer finds it difficult to know, with certainty, what the term "organic" really means. For example, currently processed food may be labeled "organic" regardless of whether it contains 100 or 20 percent organically grown ingredients. There is also growing evidence that some

conventionally grown food is deliberately mislabeled as "organic" by dishonest traders looking to cash in on the premium prices organic food commands.

Some large food chains and distributors concerned about verifying the authenticity of organic items refuse to purchase organic products. Their rationale is that they are not in a position to work directly with growers on certification as some smaller health food stores have done. They also find it difficult to handle the wide array of labels. As a result, consumers find little to no organic food in the major shops across the country.

Despite repeated attempts by producers to gain U.S. Department of Agriculture approval of organic meat and poultry labels, USDA does not permit references to the term "organic" on animal product labels. The USDA Food Safety and Inspection Service has decided to issue an Advance Notice of Intent to Propose Rulemaking in order to gather information as to whether claims relating to the production of food animals, including the term "organic," should be permitted. But in the meantime, farmers are unable to produce for a known market.

American farmers are beginning to benefit from lucrative organic export markets. However, in absence of national standards, American businesses are finding it increasingly difficult to negotiate in foreign markets. Several countries have national nic standards. There is a proposal before the European Econom: om-munity on organic food that, if passed would establish production and inspection standards for member countries. The International Federation of Organic Agricultural Movements, among other organizations, is working to harmonize standards internationally.

As a result of the problems outlined above, several organizations have called upon the Congress to develop national standards for organic food. Last year the National Association of State Departments of Agriculture passed a resolution calling upon the Congress to establish a national organic certification program. In January of this year, the American Farm Bureau Federation adopted a resolution calling for establishment of a national labeling standard for organically grown products. Several major organic industry trade associations and certification organizations have testified before the Congress that their industry desires Federal regulation. During the hearing held by the Committee on this legislation, the Center for Science in the Public Interest delivered 136,000 petitions to the Committee from people across the country calling for a national organic program.

At this time, organically produced food represents only two percent of all food produced in this country. This has prompted some to ask why the government should undertake a regulatory program for such a small number of producers. The answer is three-pronged. First, there is considerable evidence that the organic market is growing exponentially. Second, the need to clarify the meaning of the organic label is apparent and complements other government efforts to clarify the meaning of nutrition, "fresh," "choice" and other labels. Finally, a national program would provide a level playing field for those farmers trying to operate in this market.

Some large supermarkets that began selling organic food soon discontinued doing so, citing consumer dissatisfaction with the ap-

pearance of organic food and an unwillingness to pay the higher prices. Yet, organic food may be as physically attractive as conventionally grown food. Many analysts suggest that the difficulties the large supermarkets have experienced are partly due to an inconsistent and limited supply of organic food and, in some cases, the placement of the organic alternatives in the far corners of such markets. The inconsistent and limited supply may be a result of the fact that it takes three years for growers to complete the transition requirements to produce organic food and thus cannot quickly respond to new market demand. Further, some analysts argue that the prices of organic food may very well decrease if the organic market expands beyond a specialty market.

The need for national standards for organic production led to several legislative initiatives. In 1989, three bills were introduced that contained organic food provisions. The Organic Foods Act introduced by Senator Leahy included a definition, a certification scheme, a promotion program, and a pilot label program. The Farm Conservation and Water Protection Act introduced by Senator Fowler and the Conservation Enhancement and Improvement Act introduced by Senator Lugar both included definitions for organic production.

The organic industry applauded the various legislative efforts to develop national standards but argued that Congress should limit the role of government in certification activities. Rather than reinvent the wheel, the industry argued a national program should take advantage of the network of private organic certification organizations that exist in nearly every State.

The organic industry, as well as consumer and environmental advocacy organizations, argued that the expertise in organic farming is found at the grassroots level—the private farmers and advocates who have been working on their own for years. They argued for the need to limit severely the Federal Government's discretionary authority and involvement in this industry since the Government has little experience in this industry. Some groups even argued that the industry should remain self-regulating.

On February 8, 1990, Senator Leahy introduced S. 2108, a revision of his earlier legislation and one which reflected the advice received by many of these individuals and organizations. This new legislation proposed a partnership between government and private organizations in standard setting and certification. On March 22, 1990, the Subcommittee on Research and General Legislation held a hearing on S. 2108, The Organic Foods Production Act of 1990, which formed the basis for this title.

Purpose and Need

The Organic Foods Production Act combines a national standard for organic labeling, tough enforcement provisions, a creative use of State and private organic farming programs, a national promotion advisory committee, and a research program to build a solid foundation for the organic food industry.

The Definition of Organically Produced Food

Organic food is food produced using sustainable production methods that rely primarily on natural materials. The "organically produced" label authorized under this bill therefore pertains to the production methods used to produce the food rather than to the content of the food.

Organically produced food defies simple definition. The list of acceptable production materials is well understood and widely accepted—organic food is produced using no synthetic materials other than a small list of less than 10 exceptions described in the legislation. The land on which the product is raised must be farmed organically for a period of not less than three years. But defining organically grown food based on production materials and a three-year transition period alone is not sufficient. Organically grown food is produced using farming and handling systems that include site-specific farm plans.

The bill requires that all producers and handlers seeking certification submit an organic plan to the certifying agent—the inspector of organic operations—for the agent's approval. The organic plan sets out all procedures that producers and handlers must agree to follow in order for their products to be labeled as organically produced. For example, a crop production farm plan must detail the procedures that the farmer will follow in order to foster soil fertility, provide for crop rotations, and prohibit certain manuring practices inappropriate to the crop being raised and the land in use. Livestock and handling plans are also required. The Committee views the organic plan as a key element in organic production and, when used in combination with the strict material standards set forth in this bill, will ensure that the "organically produced" label indeed signifies that the product has been produced in accordance with the requirements of this title.

This legislation covers all food products from their inception through final processing. Already today a consumer can find organically produced fruits and vegetables, cookies, meat, soda, milk and cheese—almost any food product imaginable. It is the Committee's intention that this bill continue to cover a wide range of food products.

More detailed standards are enumerated for crop production than for livestock production. This reflects the extent of knowledge and consensus on appropriate organic crop production methods and materials. With additional research and as more producers enter into organic livestock production, the Committee expects that USDA, with the assistance of the National Organic Standards Board will elaborate on livestock criteria. The Committee recommends as well that, over time, USDA and the Organic Standards Board develop standards for aquaculture products.

This legislation establishes a USDA "organically produced" label—a USDA seal of approval for organic products. After September, 1992 no other label will be allowed that claims that a food is in any way organic or organically produced, with specified exceptions regarding State labels and small farmers. This prohibition does not affect producers who claim that their product is produced without

the use of pesticides as long as they make no direct claim that their product is in any way organic or organically produced.

States may have a State organic label only if it is in addition to the USDA label and approved by the Secretary. It is also possible for USDA to allow for foreign-produced and labeled organic products if USDA determines that such products are produced under standards equivalent to those of this legislation. In such cases, USDA would be expected to investigate the adequacy of foreign certification programs rather than the organically produced products imported into the United States.

The Committee emphasizes that American-produced food, whether organically or conventionally grown, is the safest in the world. This legislation does not attempt to make scientific judgments about whether organically produced food is more healthful, nutritious, or flavorful than conventionally produced food. Nor is organically produced food necessarily residue-free. The Committee contends that organically produced food is food produced using certain defined materials and production methods.

The Committee notes that nothing in this title exempts organically produced food from other food laws. Organically produced food must, like all other food products, meet certain grading, quality, and food safety standards.

Implementation

The standards set forth in this title for organic production and the establishment of a USDA "organically produced" label must be implemented by September, 1992. The delayed implementation date was chosen for three reasons.

First, the Committee does not want to disrupt unnecessarily the organic industry that now exists. Farmers and handlers around the country currently operating in good faith under State law should be given adequate notification so that they do not lose certification for any period of time. For example, California now requires that land be farmed organically for one year before that land is suitable for the production of organic crops. Yet the standard in this title requires that a producer farm organically for three years before the land is certified for organic production. By delaying the implementation date, producers across the country should have adequate time to adjust to the new rules.

Second, the Committee is concerned that there be time for the development of the National List designating materials for organic production and to provide adequate opportunity for public debate and comment on the Proposed National List.

Third, the Committee recognizes that much of this title breaks new ground for the Federal government and will require the development of a unique regulatory scheme.

Certification Responsibility

Certification is the process of inspecting farming and handling operations to make certain that the requirements set forth under this title for organic production have been met. The process of certification is undertaken by a certifying agent. In order to become a certifying agent, an entity or individual must apply to the USDA and become accredited to serve in that role.

Several State departments of agriculture contacted the Committee and said that, while they supported organic certification, they preferred to continue using the system of private third-party certification organizations rather than to develop new State programs to undertake this responsibility. Other State departments of agriculture felt strongly that they would like to take over the certification program completely.

The Committee decided that a certifying agent may be a State employee or a private entity. In this way, the Committee hopes to take advantage of the network of existing entities already engaged in certification.

The Committee intends to allow more than one certifying entity to certify within a State. For example, in one State the Natural Organic Farmers Association, the Organic Crop Improvement Association as well as State employees could all be involved in certification.

In order to become a certifying agent, an individual or entity must apply to the USDA for accreditation. The Secretary is required to implement an accreditation program for entities who desire to certify farms and handling operations. The Committee expects that the criteria for accreditation will require reasonable expertise and believes that in most cases previous experience in organic certification programs would provide sufficient expertise. The Committee does not intend that the Department establish accreditation standards that are so rigorous as to be unnecessary for the skills required. For example, in no way does the Committee intend that certifying agents must have advanced degrees in scientific disciplines in order to be accredited.

The Committee recommends that the Secretary utilize the expertise of individuals from existing certification organizations to assist him in the establishment of accreditation standards and in the evaluation of applicants. Under this title, the Secretary may establish a peer review committee consisting of persons with expertise in organic farming and handling methods. This concept of a peer review committee is based upon the university system where accreditation teams, consisting of persons from accredited universities, evaluate fellow universities applying for accreditation. Applying this peer review model to the accreditation of certification organizations will ensure a high degree of integrity and consistency among the certifying agents.

To protect the Federal government from liability concerns regarding private certifying agents, two actions are taken. First, private certifying agents must agree to hold the Secretary harmless for any failure on the part of the certifying agent to perform his duties. For example, if a certifying agent fails to correctly read a residue test and thereby ignores the presence of residues of prohibited materials, this would be a failure to preform his job and would not be the fault of USDA. Second, a private certifying agent is required to furnish reasonable security—whether collateral or cash—in an amount determined by the Secretary to protect the rights of participants in the program.

It is not the Committee's intention that the Department establish security deposits that are so high as to cause the elimination of private groups from certification. The Committee therefore directs

the Department to carefully construct a reasonable security deposit system that provides adequate protection for the Department while at the same time allows for a diversity of private groups in the certification business.

State Organic Certification Programs

The Committee discussed the role of the Federal government vis-a-vis State governments in setting organic production standards. It is the Committee's intention that States may enact a State Organic Certification Program in addition to the national program.

A State Organic Certification Program may have additional standards as well as other regulations pertinent to organic foods. This title sets more extensive standards than any current State law and thus the Committee does not anticipate an immediate need for excessive State standards due to Federal inaction. However, a State may choose to implement State standards which contain more restrictive requirements than the Federal requirements. A State may also implement State standards because of regional production practices. No matter the reason, the Committee clearly intends to preserve the rights of States to develop standards particular to their needs that are additional and complementary to the Federal standards.

The Committee, however, is most concerned that State action not disrupt interstate commerce. To this end, the title limits state action in three ways.

First, the Secretary must approve State Organic Certification Programs to ensure that such programs are consistent with the goals of the bill. The governing State official must submit a plan for a State Organic Certification Program for the approval of the Secretary. The Secretary must approve any reasonable plan that meets the requirements of this bill. This action will result in a check on the overall quality and sensibility of State proposals.

Second, labeling must be consistent. An additional organic label indicating the State of origin and the certifying agent of such product is allowed to be affixed on the product in addition to the USDA "organically produced" label. Many States have advised the Committee that they desire a State organic label in order to indicate the origin of the product in their efforts to promote home-grown products. However, the State label may not carry claims of superior quality: It is up to the State to promote its own products in consumer education campaigns rather than by label claims.

Third, and most importantly, a State is prohibited from discriminating against another State's organic products if those products bear the USDA "organically produced" label. For example, if California chooses to have additional standards and Oregon does not, California cannot discriminate against the sale of Oregon organic products within California as long as those products meet all Federal requirements.

The only exception to the above rule concerns State public health and safety actions. Nothing in this title should be construed as preempting a State's right to protect its citizens from health and safety threats. For example, the Committee intends when a State determines that a substance is dangerous and prohibits the use of

that substance in all food production— conventional or organic— then such State action applies to organic food.

The Committee believes that this title strikes a delicate balance between a State's right to develop its own organic program and the national need for consistency in labeling and standards.

The National Organic Standards Board

The Secretary is required to appoint a 13-member National Organic Standards Board to assist generally in the development of standards and specifically to formulate a Proposed National List. The Committee regards this Board as an essential advisor to the Secretary on all issues concerning this bill and anticipates that many of the key decisions concerning standards will result from recommendations by this Board.

The Board shall include: four members who operate an organic farming operation; two members who own or operate an organic handling operation; one member who owns or operates a retail establishment with significant trade in organic products; three members with expertise in the areas of environmental protection and resource conservation; and three members who represent public interest or consumer interest organizations.

The membership of this Board was carefully selected to provide a balance of interests. There was debate during the hearing on S. 2108 regarding appropriate representation on a Board with such great power in setting standards. Some people argued that the Board should be industry-dominated to ensure continuation of the kind of high quality standards associated with organic farming and which make sense from a production viewpoint. Other people argued that industry representation on the Board would be inappropriate and present conflict of interest problems. As a result, the Committee restructured the Board so that the farmers and handlers involved in organic production receive six representatives, equal to the consumer and environmental organizations, which together also receive six representatives. A single retail member raises the membership total to thirteen.

In order for any motion to carry, a two-thirds vote is required. If all members are present and voting, nine votes are required for a successful motion. Requiring a two-thirds vote, the Committee believes, will adequately prevent any one interest from controlling the Board.

The Secretary appoints the members of the Board. Prior to full implementation of the organic standards in September 1992, the Committee recommends that the Secretary appoint farmers who have operated organic farms under existing state or private standards. Such farmers will have the insight and knowledge necessary to guide the Secretary in implementing the title.

The Committee recommends to the Secretary that he solicit and seriously consider nominations from the organizations which historically have been most active in organic standards and certification. For example, the Committee notes that organizations such as the Natural Organic Farmers Association, California Certified Organic Farmers, the Organic Foods Alliance, the Organic Foods Production Association of North America, and the Organic Crop Improvement Association are among the private organizations with

significant expertise in organic issues. The Committee also recommends that the Secretary solicit nominations from other agricultural entities that have recently been involved in the organic production debate.

The Board is authorized to hire a staff director and the Secretary may detail USDA staff or provide for the hiring of staff to work with the Board. The Board shall convene Technical Advisory Panels to provide scientific evaluations of the materials considered for inclusion on the Proposed National List. Such Technical Advisory Panels should include agronomists, entomologists, toxicologists, soil scientists, and other scientists with appropriate expertise in the task of the Panel.

The Board is generally responsible for advising the Secretary on all aspects of the implementation of this bill. Specifically, the Board is responsible for evaluating substances for inclusion on the Proposed National List.

The Committee expects that the Board will consider, along with the recommendations of the Board's Technical Advisory Panels, any available information from the EPA, the National Institute of Environmental Health Studies, and other sources, as appropriate, concerning the human and environmental toxicity of substances considered for inclusion in the Proposed National List. The Board, with the aid of the Technical Advisory Panels, must conduct a thorough evaluation of substances that may be included on the Proposed National List. Thus, the Board provides recommendations for the National List but does so with a reasonable amount of scientific information and based on the criteria established in the legislation.

The Board shall review all botanical pesticides used in organic farming for possible inclusion on the Proposed National List of prohibited natural materials. The Committee recognizes that certain natural materials present environmental and health hazards. An example would be the use of arsenic which, although natural, is known to be extremely toxic, and which is therefore explicitly prohibited from use in organic production under this title. The Committee expects that the Board consider botanical pesticides individually and make recommendations to the Secretary concerning their use in organic production.

As time goes on, various scientific breakthroughs, including biotechnology techniques, will require scrutiny for their application to organic production. The Committee is concerned that production materials and practices keep pace with our evolving knowledge of production systems. In this bill, a list of materials is explicitly legislated. The Committee understands that sometime in the future this may become outdated. Therefore, the Committee intends that, among its duties, the Board shall also spend time debating the merits of and possible designs for a registration program for organic production materials. The Board shall make recommendations on this subject to the Secretary, the Administrator of the EPA, and the appropriate committees of the Congress.

Finally, as a result of the Committee's debate as to the merits of various levels of acceptable residues of prohibited materials for organic food, the Committee decided that the Board would be most knowledgeable on this subject and thus the Committee intends that

the Board shall advise the Secretary concerning appropriate residue levels and testing methods for organic products.

The National List

Most consumers believe that absolutely no synthetic substances are used in organic production. For the most part, they are correct and this is the basic tenet of this legislation. But there are a few limited exceptions to the no-synthetic rule and the National List is designed to handle these exceptions.

Organic farmers have used some synthetic substances for several good reasons. For example, some organic farmers use certain synthetic analogues to natural substances when those substances are difficult to obtain. Insect pheremones, a often-used biological control substance in organic farming, are very difficult to collect in nature and are therefore synthetically produced. The Committee does not specifically disallow the use of pheremones in organic farming simply because they are synthetically produced when pheremones are effective and ecologically benign.

The Committee does not intend to allow the use of many synthetic substances. This legislation has been carefully written to prevent widespread exceptions or "loopholes" in the organic standards which would circumvent the intent of this legislation. The few synthetic substances that are widely recognized as safe and traditionally used in organic production are explicitly cited in the bill as potential items to be included on the National List if the Board and the Secretary approve of their use.

The Board and the Secretary may consider allowing the use of synthetic active ingredients in the following categories only: pheremones; copper and sulfur compounds; soaps; horticultural oils; toxins derived from bacteria; treated seed; fish emulsions; vitamins and minerals; livestock parasiticide and medicines; and production aids such as machinery cleansers.

Organic farmers also use substances in which the active ingredient is known to be natural but which also contain inert ingredients that are undisclosed as a matter of trade secret law under the Federal Insecticide Fungicide Rodenticide Act. The Committee suspects that many of these inert ingredients are synthetic. For example, adjuvants would fall into this category.

Until such time as FIFRA is altered to require the full disclosure of inert ingredients, organic farmers should be allowed to continue using compounded substances if the active ingredient is natural and if use of the substance is recommended by the National Organic Standards Board and approved by the Secretary for inclusion on the National List. However, in order for the National Organic Standards Board to evaluate whether certain compounds should be listed, the Board will need some information about the inert ingredients in question. The Committee directs the Board to seek the advice of the Administrator of the EPA, who has information on inert ingredients submitted as part of registration, as to whether such inert material would be appropriate for organic production. EPA's response will not limit it's regulatory responsibility for such material.

Almost all State and private organization standards also provide for certain exceptions from the no-synthetic rule, some more explic-

itly than others. In deciding upon an acceptable list of materials for the Organic Standards Board and the Secretary to consider, the Committee surveyed State and private regulations to ensure that the above categories, while more restrictive than most of the current standards, will indeed protect the integrity of the organic product while at the same time provide the producer a reasonable amount of flexibility on production materials.

The Committee understands that just because a substance is natural does not mean that it is safe and appropriate for organic production. The National List may also include natural substances otherwise allowed under this title but which are determined to be harmful to human health or the environment and inconsistent with organic farming. Certain botanical pesticides may be considered by the Organic Standards Board and the Secretary to be inappropriate for organic production because their use poses significant harm to human health or the environment. Whatever natural items appear on the National List shall be prohibited from use in organic production.

Finally, the National List is designed to cover ingredients used in processing. The bill allows that up to five percent of processed food labeled "organically produced" may contain non-synthetic ingredients which are not organically produced if those ingredients are included on the National List. The five percent figure was arrived at after consulting with various organic food processors as the amount of flexibility necessary in processed food. The Committee intends that the guideline for processed food ingredients on the National List be that such ingredients are difficult or impossible to obtain. An example might be certain spices that are unavailable at this time from an organic farm. It may also include items that are not technically organically produced such as yeast.

Several steps must be taken before an item appears on the National List in any of the above categories. First, the Organic Standards Board must review the substances in question based upon criteria cited in the bill and with the aid of the Board's technical panels. The Board may decide what substances require review. As well, individuals may petition the Board to evaluate substances for inclusion on the National List. The Board then constructs a Proposed National List which is submitted to the Secretary as a recommendation for composition of the final National List.

The Secretary may not include exemptions for synthetic substances other than those exemptions recommended by the National Organic Standards Board. The Proposed National List represents the universe of synthetic materials from which the Secretary may choose. Before establishing the final National List the Secretary shall publish the Proposed National List in the Federal Register and seek public comment. The same procedures are to be followed for any amendments to the National List.

Residue Testing

Historically, "organic" has been a production claim and not a residue-free content claim. As such, the question has been raised whether residue testing and pesticide tolerances for organic food are appropriate or necessary.

"Organically produced" means much more than "residue-free." In fact, although currently there are products marketed as residue-free, the Committee remains skeptical about this label and cautions that the meaning of residue-free varies with the technology available, testing methods, and levels of detection.

Conventional farmers can and do produce residue-free food but their products are not eligible for the "organically produced" label because such farmers do not adhere to the standards in this legislation. On occasion, organic farmers, although following the strict standards in this bill, may produce products with minimum residues due to inadvertent environmental contamination such as drift from a neighboring farm. The Committee recognizes that some consumers are confused and may mistake residue-free claims with organically produced food. The Committee encourages the Secretary and the organic industry to develop consumer education materials to help differentiate such claims for consumers. The organic industry is encouraged to inform consumers about all materials used in organic production. Pesticide-free or residue-free food should not be advertised as equivalent as organically produced food. Certainly the national definition of "organically produced" provided for in this legislation will begin to alleviate consumer confusion.

Although organic food is not synonymous with residue-free food, the Committee believes that residue testing plays an important role in organic certification. First, residue testing is an important check on the honesty of the system. Periodic random residue testing will help in policing against mislabeling. If a product labeled organically produced contains any detectable residue of a prohibited substance such as a synthetic pesticide, an investigation shall take place to determine whether the requirements under this title and the applicable State certification program have been violated.

Second, residue testing bridges the concept that organically produced food is defined by the manner in which such food was produced and the widely-held concept that organically produced food has fewer residues. It is important that organically produced food meet certain standards to ensure that consumers are getting what they pay for. This legislation provides that if prohibited materials are present at levels that are greater than unavoidable residual environmental contamination as prescribed by the Secretary or the applicable governing State official, then such food shall not be labeled organically produced.

The Committee has been asked to provide guidance regarding the meaning of "unavoidable residual environmental contamination." The Committee does not intend to prohibit minimal residue contamination that does not result from practices used by the organic farming operation. For example, some older pesticides may remain in the soil for years and show up in minute quantites of little concern to human health and the environment.

At this time, State and private standards fall within the range of a no residue requirement, meaning it could be any number to as low as one percent of the tolerance level established by the EPA for a substance in food. The majority of organic programs, including those in California, Kansas, Maine, Montana, and Oregon, require organic food to contain no more than 10 percent of the EPA level. By far the most strict standard, and one to which no other

State comes close, is New Hampshire—organic food must meet one percent of the EPA level. Senate Bill 1896 proposed a 10 percent of the EPA level and S. 2108 proposed five percent.

Following debate on which residue level to include as part of this national program, the Committee decided that appropriate standards would depend upon the substance in question and available technologies. It was decided that the Secretary, with the assistance of the National Organic Standards Board, would be best able to determine appropriate levels. In this way, as technology and knowledge develops, such levels would be adjustable. The Committee does not intend, however, that a level greater than 10 percent of the EPA level or that zero percent of tolerance be approved by the Secretary. The desire is to leave the Secretary the discretion to set residue levels somewhere between one and 10 percent of the EPA levels.

Pre-harvest tissue testing may be required of any crop if it is anticipated that the food harvested from the land may not pass required residue tolerance levels. Such testing would be done as a service to the grower and at the discretion of the certifying agent. The results of such testing would be used by growers as indicators of whether land is likely to produce crops that will meet the required product residue testing.

The Committee fully expects that residue testing will be limited to testing for prohibited materials. The Committee recognizes that there are not, at this time, viable tests for all residues, yet those that are available have been reported as useful enforcement tools by State and private certification organizations. The Secretary, with the aid of the Board, shall decide which tests are appropriate to the product being tested and prohibited materials used in that production area.

Certifying agents will oversee the residue testing. This title does not stipulate how often such testing must occur. The Committee does not want to unnecessarily burden producers with the costs for residue testing which will surely be reflected in their certification fees. Thus, the Committee intends to leave decisions regarding the frequency of testing to the judgment of the Secretary, the States, and the certifying agents.

Processed Food Standards

Few State and private standards include requirements for processed food and therefore the labeling in this area is perhaps the most misleading and difficult to decipher. Certainly it is reasonable to assume, for example, that spaghetti sauce labeled organic contains nearly all organically produced ingredients. In fact, it is possible that such sauce contains only organically produced tomatoes mixed with peppers, onions, and other ingredients from conventional production systems.

The Committee chose a tough standard for processed food to put an end to such confusion. In order to receive the USDA "organically produced" label, the total finished product must contain no less than 95 percent organically produced ingredients by weight, excluding water and salt. Five percent of the weight of the total finished product, excluding water and salt may be substances which

are permitted as ingredients for processed food on the National List.

In other words, under this scheme, for example, whole grain bread labeled "organically produced" may have as its ingredients organically produced flour, organically produced butter and eggs, and salt and water, and no more than five percent of non-organically grown ingredients such as yeast and spices if provided for on the National List.

The Committee was concerned that such a tough standard, while alleviating consumer confusion, may discourage processed food companies from purchasing organically produced food since not all processed products will withstand this 95–5 threshold. To allow for some flexibility, the Act provides the Secretary with some discretion regarding the use of the term organically produced as it pertains to individual ingredients within a given product.

The Secretary, upon recommendation of the National Organic Standards Board and in consultation with the Secretary of Health and Human Services, may decide to permit use of the words "organically produced" on the principal display panel for food if such food, excluding water and salt, contains at least 50% organically produced ingredients by weight. In other words, potato chips that are made from organically produced potatoes as well as 20 percent non-organically produced oils would never be eligible for the USDA organically produced label. However, if the Secretary so decides, the front of the potato chip bag could indicate that the potatoes were organically produced and not be in violation of this legislation.

In the same manner, the Secretary may allow use of the words "organically produced" on the ingredient panel for food that contains less than 50% organically produced ingredients, excluding water and salt to describe the ingredients that are indeed organically produced.

Livestock Standards

There are not many organic livestock producers at this time, perhaps as few as one hundred. A major reason is that few producers are willing to invest in raising animals organically since USDA explicitly prohibits meat and poultry from being labeled as organically produced. There is also little consensus on appropriate livestock standards and thus State and private programs vary widely.

The Committee felt strongly that organically produced feed should be required for livestock. However, on the issue of livestock medication, the Committee felt that this required further consideration by the National Organic Standards Board. Livestock parasiticides and medications must be on the National List in order to be used but in no case shall livestock be given subtherapeutic doses of antibiotics, synthetic internal parasiticides on a routine basis, or be administered medication other than vaccinations in the absence of illness.

The Committee expects that, after due consideration and the reception of public comment, the Board will best determine the necessary balance between the goal of restricting livestock medications and the need to provide humane conditions for livestock rearing.

The Board shall recommend livestock standards, in addition to those specified in this bill, to the Secretary.

Nothing in this title should alter or add to the responsibilities of USDA in regard to meat and poultry inspection. The Committee does not expect the Department to employ additional inspectors or expand the duties of USDA inspectors who currently inspect meat and poultry. Such inspectors will continue to inspect meat and poultry, treating organically produced and conventionally produced products in the same manner. Rather, it is the duty of the certifying agent ~~to~~ oversee meat and poultry production to ensure that such products are organically produced. The Committee stresses that organic certification is the responsibility of the certifying agents not USDA meat and poultry inspectors.

The Small Farmer Exception

In order to avoid unnecessary regulation, an exemption from certification is provided for small farmers. Producers whose gross agricultural income totals $5,000 or less annually are allowed to market their products as organically produced without being certified by a certifying agent. Such products, however, shall not receive the USDA "organically produced" label. A small producer is left to indicate in some alternative manner that his product is organically produced and in doing so, will not be in violation of this legislation. The Committee expects that this exemption will be used primarily by backyard gardeners and hobbyists who sell produce at farmer markets and roadside stands to consumers within their communities.

This exemption does not exempt small producers from adhering to the standards in this title and the Committee does not anticipate that these standards with be disregarded by small producers. The exemption is an exemption from certification which is a time consuming and expensive activity relative to the size of an operation that grosses less than $5,000 annually. The Committee felt that the regulatory burden on USDA, the applicable governing State officials, and certifying agents was not justified by the size of such operations.

The Committee recommends that the Secretary consider developing a registry of small organic producers to provide some information on this trade and possibly require such small producers to sign an affidavit regarding their adherence to the standards of this title.

Program Costs

The Committee expects that most of the costs of this program will be fee-supported. Certifying agents are provided the authority to assess fees of producers and handlers for the service of certification. In response to USDA's concerns regarding cost, the Committee amended the markup document to provide the Department with the authority to assess fees of certifying agents in order to cover the cost of USDA's accreditation activities.

Department activities undertaken to establish reciprocity agreements with foreign countries on organic production will be left to the discretion of the Secretary.

The remaining costs of the program which are not fee-based include administrative costs due to regulation writing; and support of

the National Organic Standards Board. The Committee understands that support may be available for the activities of the National Organic Standards Board under the Federal Advisory Committee Act and thus may not require the appropriation of new funds.

Exemptions for emergency pest or disease treatment

The Secretary may provide for reasonable exemptions from specific requirements of this legislation with respect to agricultural products produced on organically certified farms if such farms are subject to Federal or State emergency pest or disease treatment programs.

The Committee intends that this authority be used only under extreme circumstances. The Committee directs the Secretary to undertake all possible steps to avoid application of prohibited materials on farms that are certified as organic before resorting to this authority.

The exemption for organic farms means that such farms shall not lose certification and shall be permitted to continue labeling food produced on such farms as "organically produced." The one exception to this is in regard to residue testing—the products of such farms must still meet whatever residue requirements are set by the Secretary for all organically produced food. The Committee recommends to the Secretary that in those areas where emergency pest or disease treatment occurs additional residue testing be undertaken to ensure that food products meet the standards set forth under this title.

Enforcement

The Committee expects that enforcement responsibilities will be shared among the Secretary, the governing State officials, and the certifying agents.

Verification procedures are essential to the enforcement of organic standards. The Committee expects that the audit trails, extensive recordkeeping, farm visits and unannounced inspections required in this title will aid certifying agents in assessing compliance with the standards of this title.

Promotion

Senate Bill 2108 contained a research and promotion program authorization for the organic food industry. Witnesses at the Committee's hearing testified that a research and promotion program was important and supported by the industry. However, there were too many unanswered questions as to how such a research and promotion program would work. The Committee decided that a research and promotion program, while perhaps a good idea, was premature. Before such a program will work, a national organic certification program must be fully operational and more data on the size of the industry is needed.

During the markup on this title, the Committee replaced the research and promotion program with an Advisory Committee structure. The Advisory Committee will be responsible for recommending to the Secretary and the Congress whether the establishment of legislation creating an organic promotion, research, and consumer

education program is desirable and if so, how an initial referendum and structure for such program should be designed.

The Secretary shall appoint a 15 member Advisory Committee which shall meet not less than twice annually, and will have a 3 year sunset date after the initial meeting. The Secretary shall provide the Advisory Committee such support that is appropriate.

The Advisory Committee may submit at the appropriate time its recommendations for the establishment of an organic program and, upon termination of the Advisory Committee, shall submit a final report concerning the development of such organic program, to the Secretary and to the chairpersons of the House and Senate Agriculture Committees.

Transition Label

In order for a farm to be certified, a producer must not use any materials prohibited in organic production on the land for a period of not less than three years. A farmer who follows all requirements of this title cannot, therefore obtain the USDA organically produced label for his products within that first three year period.

Some persons have argued that farmers should receive a label, different from the USDA organically produced label, which distinguishes the produce from such farms during this three year transition period from conventional to organic production. This will, it is argued, provide consumers with more choices and provide farmers some marketing advantage during the three year waiting period prior to eligibility for certification.

To this end, Texas allows farmers to receive a special label called "transitional," if they meet all other state requirements but have not yet met the three year period of no synthetic chemical use. Other States are considering similar labeling options.

The Committee believes that the utility and impact of a national transitional label merits study. Under this title, the Secretary is required to undertake a transitional label demonstration program in order to evaluate the impact a transition label would have on consumer purchasing decisions and organic markets and to assess whether the availability of a transition label would provide a significant incentive to motivate farmers to adopt organic production practices.

The Secretary is directed to establish an experimental label to be affixed to agricultural products that have been produced on selected transition farms. The Committee does not anticipate that any other labels will be authorized. The label shall state that the agricultural product has been produced in "transition to organic" and shall bear the seal of the USDA.

The Secretary is required to provide assistance to not less than four States that have implemented a State organic certification program and which can designate a limited marketing area where a demonstration transition label could be used and controlled. States submit proposals for the Secretary's selection and in order to limit the costs of this program, the Secretary shall give preference to any State that will provide funds or other resources for use in the Program.

The States that are selected to participate in this demonstration program must design a project that meets the specifications of the

Secretary, select a number of farming operations to participate in the Program as transition farms, and authorize the sale of the products of the selected farms in retail establishments in such State.

Two years after the date of enactment of this title, the states participating in this demonstration program shall submit a final report detailing the results of the Program to the Secretary and the House and Senate Agriculture Committees.

Research

Additional research related to the production and marketing of organic products is very much needed. The Committee intends that the Secretary provide financial support for research to support the purposes of this title. Such research shall include investigations of materials to be used in organic production, including the toxicity levels of those materials. Other research topics to be studied shall include efforts to measure levels of background contamination of toxic substances, the development of economical residue testing procedures, the development of efficacious protocols and materials for handling organically produced products and improvements in the technology of organic livestock production.

EXPLANATION OF TITLE

TITLE XVII—FRUITS AND VEGETABLES

Background

Federal marketing orders, authorized under the Agricultural Adjustment Act of 1933, as amended by the Agricultural Marketing Agreement Act of 1937 (AMAA), are voluntary industry regulatory programs that enable domestic fruit, vegetable, and nut growers to promote orderly marketing conditions. This is achieved through domestic marketing orders which may provide for minimum quality requirements, including grade, size, quality, or maturity regulations. Industry adherence to these requirements ensures a reliable supply of quality produce, and enables growers to receive a reasonable return for their product in reliable markets, based on certainty in production, supply, and quality.

The AMAA emphasizes that marketing orders must function in the public interest. The standards are developed by the industry, submitted to the Secretary for approval, and finally submitted to the industry for a referendum vote. If the industry votes to accept regulation through the standards, the marketing order is in effect. The standards are enforced through USDA inspections.

The requirements do not apply to imports unless the specific commodity is cited under section 8(e) of the AMAA. Section 8(e) prohibits the importation of certain specified commodities unless they meet the same, or comparable, regulations as contained in the domestic marketing order. This authority affects eighteen commodities, and, according to the U.S. Department of Agriculture (USDA), fourteen of those commodities currently utilize such authority (indicated with an asterisk). Authority for section 8(e) was added to the Act in 1954 for tomatoes*, avocados*, limes*, grapefruit*, green peppers, Irish potatoes*, cucumbers, eggplants, and mangoes. Or-

anges*, onions*, walnuts*, and dates (other than dates for processing)* were added in 1961, raisins*, olives (other than Spanish green olives)* and prunes* in 1971, filberts* in 1977, and table grapes* in 1981.

The implementation of section 8(e) is not intended to exclude imported commodities from the U.S. market. The Agricultural Marketing Service of USDA indicates that imports of nearly all commodities subject to section 8(e) have maintained their market share, and several have made substantial gains. For example, comparing the 5-year average 1981–1986 to the 5-year average 1976–1981, U.S. table grape imports have increased 263 percent; fresh limes have increased fourfold.

Two major export promotion programs administered by the Foreign Agricultural Service (FAS), which provide significant benefits to the fruit and vegetable industry are, USDA, the Foreign Market Development Program and the Targeted Export Assistance (TEA) Program. These two programs work in conjunction with U.S. nonprofit producer organizations, regional groups of State departments of agriculture, private companies, and, in some cases, foreign "third-party" cooperators.

The Foreign Market Development Program, established in 1955, is designed to develop, maintain and expand long-term foreign markets for U.S. agricultural exports through commodity organizations. Another component of that program, the Export Incentive Program, works directly with private U.S. companies to promote specific branded U.S. agricultural products.

The TEA program, authorized in the 1985 Food Security Act, uses Commodity Credit Corporation (CCC) funds or commodities from CCC inventories to counter or offset the adverse effects on U.S. exports of subsidies, import quotas, or other "unfair foreign trade practices." TEA program participants must identify an unfair foreign trade practice and estimate the extent to which it has adversely affected U.S. exports in describing their proposed project.

Purpose and Need

U.S. production

The production of fresh fruits and vegetables plays a significant role in the agricultural economy of the United States. U.S. fruit and tree-nut production, which totaled 29.3 million short tons in 1988, was valued at $12.5 billion dollars for that year. The cash receipts of the U.S. vegetable industry in 1988 totaled $9.8 billion dollars.

The Committee believes that the maintenance and expansion of existing markets and the development of new markets for fresh fruits and vegetables, are vital to the welfare of domestic producers and marketers in the fruit and vegetable industry and to the general economy of the United States.

Promoting Domestic Production

A November 1989 Gallup poll pointed out that most Americans are concerned about what they eat and pay attention to food warnings and nutritional advice. The poll went on to show that sixty-

three percent of those polled said they are "making a strong effort" to eat more fresh fruits and vegetables.

Currently, Americans consume approximately 336 pounds of fruits and vegetables per capita, per year. Altogether, almost 83 billion pounds of fruits and vegetables are consumed in the U.S. each year. U.S. farmers produce about 28.6 million short tons of fruit, approximately 57 billion pounds, each year. Vegetable production is approximately 46 billion pounds each year, for a total of 103 billion pounds of fruits and vegetables produced by U.S. farmers each year.

Yet, the U.S. imports about 25 percent of total domestic consumption of fruits and vegetables. Most of our fruit and vegetable imports are utilized during the off season for domestic production. South and Central American countries, according to USDA's December 1989 Agricultural Outlook, encompass a variety of climates and can produce a number of products at different times of the year and have greatly expanded fruit and vegetable production into a major export industry. U.S. producers of fruits and vegetables, fresh and processed, are faced with increasing competition from these producers. Under the direction of USDA, the domestic fruit and vegetable industry has the opportunity to increase production and expand markets to effectively address this competition. The Committee believes that the Secretary can assist these efforts by identifying areas, in cooperation with industry, where research and promotion will strengthen consumer awareness worldwide on the availability of a wide range of U.S. produced fruits and vegetables of the highest quality and safety.

A report prepared by a USDA-appointed study team stated that consumers put a high value on getting good quality produce. Another study conducted in 1989 by the Food Marketing Institute, "Consumer Trends," found that 9 out of 10 consumers consider quality produce to be a major factor in selecting where they shop.

U.S. growers and producers of fruits and vegetables provide American consumers with the safest, most abundant food supply in the world. Although industry is moving forward in its effort to promote the nutritional value of food products through labels and advertising, little data is still available to the consumer on where and how food is actually produced to allow them to make informed choices on food purchases. This is especially true for fruits and vegetables.

U.S. farmers use agricultural chemicals according to safety guidelines established by agricultural and health scientists. These chemicals must also be registered for food use and be issued food tolerances for acceptable residue levels through the Environmental Protection Agency (EPA) to protect consumer and environmental health and safety.

The Committee requires the Secretary to undertake several studies to review the conditions affecting the domestic fruit and vegetable industry, including the availability of adequate labor, safe and effective pesticides, and labeling. The conclusions of this study will enhance the ability of the domestic industry to reduce barriers to increased production and expanding markets for fruits and vegetables.

"U.S. grown" labeling program

Under current law imported food is labeled on the crate. Once the imported food goes through a "substantial transformation" through processing in the U.S., the product loses its character as an imported product. The Committee intends to promote U.S. produced food products by authorizing a voluntary "Grown in the United States" food labeling program for products that are domestically grown. The program will help all domestically grown products stand out in the market place. American consumers could then seek out home grown products, if that is what they prefer.

Current law makes certain information available to consumers on the country of origin of food products. The Committee bill requires the Secretary and the Commissioner of the Food and Drug Administration (FDA) to conduct a comprehensive review of all existing country of origin food labeling requirements and report to Congress on the adequacy of these requirements. The Committee further requests that the report contain recommendations to Congress on any changes that may be needed to improve country of origin information available to consumers.

Cosmetic standards

A number of reports and studies on USDA standards for cosmetic appearance of fruits and vegetables were brought to the attention of the Committee in a field hearing of the Subcommittee on Conservation and Forestry on February 9, 1990.

The first comprehensive report on the relationship between cosmetic quality standards and pesticide use, commissioned by the EPA in 1974 and completed in 1978, concluded that "cosmetic quality standards appear to have a significant effect on pesticide usage." Case studies within the report argue that citrus thrips, Lygus, and first broods of other insect pests generally cause only superficial damage to certain fruits, yet producers may routinely spray large amounts of pesticides to control them. This was found to be especially true for oranges and peaches.

In 1979, the Office of Technology Assessment (OTA) reported similar findings in their report, "Pest Management Strategies," stating that under strict standards, ". . . the economic threshold for pest damage on these crops is almost zero. This means that the farmer can tolerate almost no surface blemishes . . . insects . . . must be eliminated as completely as possible." Researchers found that 25 to 50 percent of the pesticides used in apple production are used to maintain cosmetic qualities.

Reinforcing these earlier findings, in 1989 the National Academy of Science's Board on Agriculture released a report, "Alternative Agriculture," that states that most fruits and vegetables are marketed under strict criteria for cosmetic damage that rarely affect safety or nutritional value. The Board recommends that "cosmetic and grading standards should be revised to emphasize the safety of food and de-emphasize appearance and other secondary criteria."

In response to this evidence, the Committee bill directs the Secretary to utilize the authority provided in the Agricultural Marketing Act of 1946, to alter and amend grade standards for fruits and vegetables, where applicable, to include additional criteria reflect-

ing flavor, sugar content, and nutritional value, and to reduce emphasis placed on cosmetic appearance. There are two primary benefits to this provision. First, the additional criteria for flavor, sugar content, and nutritional value will seek to increase consumer satisfaction with fruits and vegetables. Second, reducing the negative emphasis on minor surface blemishes will decrease the incentive for producers to apply unnecessary pesticides.

The Committee envisions that USDA will add criteria only where such criteria are feasible to implement in an objective and consistent manner and where they reflect qualities important to consumers. It is the Committee's intent that grade criteria for several fruits and vegetables will be expanded within two years of enactment, especially in the case of sugar content, a criteria already used for grading watermelons, cantaloupes, kiwifruit, and grapes.

The Department should relax criteria based on cosmetic appearance in order to minimize the incentive for producers to apply pesticides that may reduce surface blemishes or other superficial damage to a fruit or vegetable. Resulting changes should be reflected in all grades for an individual commodity. The Committee believes that such amendments of the grade standards will not be necessary for crops where pesticides are not used in ways that affect surface blemishes or other superficial damage. Changes in the grading criteria should not affect storability, transportability, or marketability within the highest grades, nor should size or color regulations be altered.

Marketing orders, research and promotion

Food Marketing Institute research shows that poor quality produce adversely affects repeat sales. According to a report by the Economic Research Service (ERS), USDA, this may, in turn, adversely affect profit margins and ultimately result in lower prices to producers, decreased production, and higher prices to consumers. Current marketing order and market development programs for fruits and vegetables seek to emphasize the availability of a high quality and reliable supply of produce to purchasers to facilitate repeat sales.

In support of this, the Committee bill expands section 8(e) of the AMAA of 1937 to include imported kiwifruit, nectarines, plums, and pistachios on the list of commodities subject to domestic marketing order standards, where applicable. If such marketing orders are enacted, they will ensure that a minimum quality standard is imposed for all produce marketed in the U.S., regardless of the country of origin. Section 8(e) requirements do not impose any conditions on the foreign producer beyond those imposed on the domestic producer.

Kiwifruit.—According to USDA, virtually all U.S. kiwifruit is covered under a marketing order for kiwifruit grown in California. While the domestic handling regulations for California kiwifruit is currently in effect on a year-round basis, the marketing season is generally from October through May. The vast majority of imports of kiwifruit come from New Zealand and are marketed in the U.S. from early April through November. About 2 percent of imports would be affected if the domestic requirements were imposed during the U.S. marketing season. However, if USDA extended the

requirements for 30 days, as the law allows, roughly 30 percent of the New Zealand kiwifruit imports would be affected.

Italy is the second-largest producer of kiwifruit, followed by Japan and the United States. Italian production could surpass that of New Zealand by 1992. Italy and France produce kiwifruit during the domestic marketing order season. The Committee believes that section 8(e) standards should be established to ensure a supply of quality kiwifruit for the entire marketing year.

Nectarines.—Commercial production of nectarines occurs in relatively small quantities in a few states, with the bulk of domestic production (90 percent) coming from California. The California marketing season is from about April 30 to September 10 each year, occasionally extending as late as November. Mexico and Chile are the largest exporters of nectarines to the U.S., shipping from January until late March or early April.

Plums.—California accounts for approximately 85–90 percent of the annual domestic production of plums, with the remaining 10 to 15 percent of domestic production being shipped from the States of Washington and Oregon. The Washington/Oregon plum is of a different type than the California plum, and is, therefore, subject to a separate domestic marketing order. The California marketing season is from about May 15 to September 10 each year, occasionally extending into early November.

Chile, the largest exporter of plums to the U.S., ships from December until late April or early May. Canada and New Zealand provide less than 1 percent of the market supply of plums. The import and domestic markets do not generally overlap. Section 8(e) standards, as authorized under the AMAA, would ensure that late season imports of plums meet U.S. quality standards.

Pistachios.—The U.S. pistachio industry is relatively young and has expanded rapidly over the last 15 years. The first major harvest of U.S. pistachios, in 1976, approached 600 tons. In 1988, production exceeded 45,500 tons.

The U.S. pistachio industry points out that retailers complain that the pistachios they receive do not live up to their specifications, citing crushed nutmeats, adhering hull material, immature kernels, and the presence of foreign material. To eliminate these quality problems in the market, the industry instituted a voluntary grades and standards program. However, because of the voluntary nature of the program, the industry has been unable to maintain compliance. The industry is currently evaluating the existing quality guidelines in preparation for participation in a federal marketing order program.

The largest producer of pistachios in the world is Iran, followed by the U.S. and Turkey. Iranian pistachios are prohibited entry in the U.S. because of the U.S. embargo on Iranian products. Turkish imports to the U.S. have been growing, reaching 937 tons in 1988 or 2 percent of domestic production. The U.S. pistachio industry's effort to set domestic standards is consistent with standards promulgated in other countries. In fact, in every comparable category, the Turkish standards are tougher than the U.S. standards. The authorization of pistachios under section 8(e) will ensure that all pistachios marketed in the U.S. live up to the same, or comparable, minimum standards.

To comply with the National Treatment clause, Article III, General Agreement on Trade and Tariffs (GATT), the U.S. domestic pistachio industry obtained the Iranian and Turkish mandatory grade standards and wrote the U.S. voluntary standards to comply with grade standards of these nations.

Promotion.—According to the ERS report on agricultural export programs, only 6 percent of the FAS funds budgeted for the Foreign Market Development Program were targeted to horticultural product promotions. The TEA Program places more emphasis on the promotion of higher valued products such as fruits and vegetables, red meat, and grocery items, items more apt to be affected by unfair trade practices. ERS also reports that from 1986–1989, over half of the TEA program budgets, $217.9 million, were used for the promotion of horticultural products.

A number of commodity groups have used a combination of their own funds and market development funds provided by the USDA to improve their export position in the face of highly subsidized competition and a number of non-tariff trade barriers. The California Kiwifruit Commission is a nonprofit corporation established by the California State Legislature and implemented by growers themselves. The Commission is funded by a mandatory assessment on kiwifruit sold and expends approximately 85 percent of assessment dollars on market expansion activities. These funds, supplemented by USDA market development funds, are expected to result in increased sales to such countries as Canada, Taiwan, Korea, and Hong Kong.

The California Raisin Advisory Board operates a similar program. Raisin exports have increased by almost 50 percent or 33,000 tons since 1985, in part attributable to USDA market assistance funding. The California Cling Peach Industry also operates under a similar program and has shown significant export gains since 1985, the year in which the industry began using marketing assistance funds. These gains have been generated in the face of intense competition from the countries which continue to use unfair trade practices.

Industry self-help programs, supplemented by USDA market development assistance, can be very effective in market expansion. However, GAO noted in testimony to the Committee that, ". . . a simple increase in exports—which can be caused by a large number ot other variables—is not sufficient proof of the success of the program." GAO also claimed to find inadequate documentation and insufficient management control in the TEA program that make evaluation of the effectiveness of the program difficult. Therefore, the Committee bill requires the Secretary to review and report on existing market assistance programs available to domestic producers of fruits and vegetables, and to make recommendations to facilitate grower participation in programs to improve the export position of the U.S. fruit and vegetable industry.

The Committee supports the request made by the House Committee on Agriculture, Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, asking the General Accounting Office (GAO) to undertake a study on the feasibility and preferred structure of a generic research and promotion order for fruits and

vegetables. The Committee expects to be kept apprised of the progress being made on this important report.

Interest has been expressed by the fruit and vegetable industry in the possibility of a national research and promotion order. Recognizing, however, the unique and diverse nature of the fruit and vegetable industry, it is important to explore the different possibilities for how best to structure such an order.

Organics.—At present, individual marketing orders negotiated under the AMAA may allow producers to exempt a portion of their crop from marketing standards if the crop meets state or federal requirements for "organically grown." However, amendments to marketing orders take several years to be promulgated and are required to be offered and supported by the marketing order committee which may or may not be comprised of producers using organic methods. Only four of the forty-three active marketing orders allow commodities produced "organically" to be marketed without restriction. The Committee bill would allow producers to automatically exempt a portion of their crop from the marketing restrictions imposed by the AMAA as long as it meets State or Federal statutes defining "organic" or "organically grown." This would remove a significant barrier for marketing organic products.

Research.—The Committee finds that the adoption of sustainable agricultural practices can be beneficial to farmers, consumers and the environment. The Committee intends that the food marketing research conducted by the Secretary under the bill shall identify how food marketing policies and practices may discourage farmers from adopting sustainable agriculture practices and thereby limit consumer access to food produced with these practices.

Based on the problems identified, the Secretary shall develop food marketing options to encourage wider adoption of sustainable agricultural practices, effect the use of pesticides, and enhance consumer access to food produced with these practices. The Committee intends that the research shall be conducted in selected markets in at least three states.

In undertaking this research, the Committee intends that the Secretary should examine how cosmetic grading standards affect agricultural practices, including the types and quantities of pesticides used, and how the use of standards in domestic marketing orders control food supply. The Secretary should also investigate the effect that buying and distribution practices at various levels of the food marketing channels have on market opportunities for food produced with sustainable methods, including the impact of advertising and merchandising on consumers' perceptions of food quality.

The Secretary should review how consumer preference is affected for food produced by traditional and sustainable agricultural methods when consumers are informed of the relative health and environmental impacts of production methods. Based on the findings of the marketing research, the Secretary shall develop options for the implementation of food marketing policies and practices to overcome marketing obstacles and create marketing opportunities for food produced with sustainable methods.

National Laboratory Accreditation Program

The integrity of our federal pesticide monitoring and other food safety regulation programs depends on several factors. One of the most important factors is the ability of a laboratory to accurately test food products for pesticide tolerance levels. Because of their perishability, fruits and vegetables are especially dependent on prompt and accurate pesticide residue test results.

This is not only important for consumer safety. The entities involved in fresh produce commerce need to know that the laboratories selected to test produce are competent and accountable, and use proper analytical methods. An error in testing such produce can cause significant damage to a firm's reputation, as well as great financial loss.

Although a variety of pesticide testing programs are carried out by USDA, EPA and FDA, the only agency which operates a certification program for private laboratories is USDA. The USDA program, however, is designed to accredit laboratories and individual chemists for a number of oversight programs and for only a few specific chemicals, with detailed analysis being conducted on processed eggs and imported tobacco.

The FDA conducts the pesticide residue testing for 90 percent of the food consumed in the United States. Results of such testing are made available to EPA to help with its regulation of pesticide use in agriculture production. The 22 district offices of the FDA conduct sporadic tests of laboratories which test for food quality to see if representations made by such laboratories are accurate. Licensing, certification, or oversight regulations are part of the FDA monitoring system.

Outside the federal system, more and more supermarkets and other food marketing institutions are relying on laboratory testing information to make claims concerning food safety and pesticide residues. These unregulated groups are making a growing number of claims concerning food safety and pesticide residues to the public. The national laboratory accreditation program in the bill will ensure that these claims are based on sound scientific and analytical testing methods.

The legislation requires the Secretary to establish a program to certify private laboratories that conduct residue testing of agricultural products, or that make claims to the public or buyers of agricultural products on chemical residue levels, to ensure that such laboratories meet certain minimum quality standards. The Secretary shall consult with the Administrator of EPA and the Commissioner of the FDA in establishing these standards.

Each laboratory under this program shall report to the Secretary, and to the owner of the food tested, on any findings of a pesticide residue of a chemical for which no food tolerance has been established by EPA; in excess of established tolerances; or that has been banned, suspended, or otherwise withdrawn for food use.

SUBTITLE D—PESTICIDE EXPORT REFORM

Background

The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) provides the Administrator of the EPA the authority to regulate pesticide use, handling, and disposal. In addition, the Federal Food, Drug, and Cosmetic Act (FFDCA) allows the Administrator to establish tolerance levels, enforced by the Secretary of Health and Human Services, for pesticide residues in or on raw agricultural commodities and processed foods. Under these laws, the Administrator and Secretary are responsible for ensuring the safety of food consumed in the U.S. by regulating the use of pesticides on food.

Under FIFRA, a pesticide for export from the U.S. must be prepared and packaged to meet domestic standards, as well as the specifications of the foreign purchaser. The government of the importing country, however, is given little or no control over requirements for preparation and packaging of U.S. pesticides used in the importing country.

If the pesticide for export is not registered for use in the U.S., the exporter must initiate a procedure intended to provide notice of the pesticide's unregistered status to the foreign purchaser and government of the importing country. Under this notification procedure, the exporter must acknowledge in writing that the pesticide for export is not registered for use in the U.S. and cannot be sold in the United States. The exporter is required to forward this acknowledgement to the Administrator, who then transmits the notice to the government of the importing country.

This procedure is extremely difficult to enforce because the Administrator lacks adequate information concerning pesticide exports and is not required to assume an active role in the notification process. Furthermore, the notification procedure does not give appropriate officials of the importing country the right to refuse the importation of the pesticide.

FIFRA requires the Administrator to notify, through the State Department, governments of foreign countries and appropriate international agencies, of the issuance, cancellation, or suspension of a pesticide registration. Where required, this notification must include all information related to a cancellation or suspension of a pesticide registration and information concerning U.S. registered alternatives to the pesticide. FIFRA requires the Administrator to provide international notice of these three regulatory actions only, despite the fact that the Administrator may undertake numerous other regulatory actions which reflect the use of the pesticide and, therefore, the hazards posed to public health and the environment.

The Administrator, in cooperation with the State Department and other appropriate Federal agencies, is directed under FIFRA to participate and cooperate in international efforts to develop improved pesticide research and regulations. FIFRA provides no specific guidance concerning involvement in such activities.

Under FFDCA, the Administrator is authorized to grant tolerances and exemptions from tolerances for pesticide residues on raw agricultural commodities and processed foods. Tolerances, which prescribe the maximum levels of pesticide residues legally allow-

able on food, affect the use of pesticides by both domestic and foreign farmers. The Secretary is authorized to seize food during routine monitoring and surveillance of the U.S. food supply for pesticide residues which has residues above these tolerance levels. During the petitioning process for a tolerance, the applicant must disclose a method of detection and measurement for residues of the pesticide which is the subject of the petition.

Purpose and Need

While EPA monitoring of domestic pesticide use, and therefore domestic food production, is emphasized in FIFRA and FFDCA, less attention is given to regulation of pesticide exports and residue monitoring of foods imported to the United States. Some pesticides which do not have a FFDCA established tolerance or exemption from a tolerance are exported from the U.S. and return as residues on food imported to the United States.

Furthermore, the Administrator does not have an effective program to monitor compliance with the limited export regulation mandated in current law. In 1989, the General Accounting Office (GAO) found that the Administrator received export notices for about 26 percent of the unregistered pesticide exports of six companies, although the notices are required for all exports of unregistered pesticides. In addition, the ability of the FDA to monitor pesticide residues on imported food is constrained by limited resources and limited information concerning pesticides used in the production of particular agricultural commodities in foreign countries. Although there is a detection method for each pesticide, only half of the pesticides used in food production can be detected by current multi-residue testing methods which are more practical and cost effective for use by FDA. In addition, according to a 1986 GAO report, less than 1 percent of imported food shipments are monitored by FDA.

For these reasons, it is necessary to establish a pesticide import/export regulatory system capable of adequately protecting the U.S. food supply.

International exchange of pesticide information

The flow of pesticide information between the U.S. and foreign countries, currently, is minimal. Little information on pesticides and pesticide regulation is provided by EPA to pesticide importing countries, and limited information on pesticide use in foreign countries exporting food to the U.S. is collected by Federal agencies.

Often, a pesticide is exported from the U.S. to a foreign country, then shipped again to a third country. It is the country of final destination, the country of use, that may export food treated with an illegal pesticide to the United States. Therefore, the Committee bill emphasizes the need for EPA to focus on the final destination of the pesticide export in their efforts to collect and monitor the export of pesticides for use in agricultural production.

Certain pesticides, although registered under FIFRA or having a tolerance under FFDCA, may be particularly hazardous and subject to domestic regulations which specify special conditions or use guidelines to ensure worker or human health or environmental

safety. Under current law, the export of particularly hazardous pesticides (restricted use pesticides include pesticides undergoing special review that have been proposed for cancellation, pesticides which are the subjects of cancellation proceedings, and pesticides on the World Health Organization Class I and Class II lists for extremely hazardous pesticides) is not adequately regulated. The current voluntary notification procedure to foreign countries requires that a foreign purchaser receive additional information on some hazardous and unregistered pesticides before consenting to an import. This procedure is inadequate for a number of reasons.

First, as pointed out by GAO, the notification procedure is inconsistently used and wholly unenforceable by EPA. Even if a foreign government has banned a chemical and explicitly says it does not want to receive that chemical, EPA cannot stop the export. EPA testified before the Committee that current law should be amended to allow them authority to prohibit the export of a pesticide in such cases. Further, consent to import the hazardous pesticide is obtained from the foreign purchaser, not the foreign government of the importing country.

Only minimal information concerning the pesticide is provided to the pesticide regulatory agency of the importing country. Most of the time, information is provided after the export has taken place. Information provided to foreign purchasers is usually limited to the registration status of the pesticide in the U.S.

The Committee bill establishes a procedure for prior informed consent from the government of the country of use, wherein the foreign government is provided the opportunity to make an informed decision regarding the import of the pesticide, and refuse the import if it so desires. In order to refuse the import of a U.S. pesticide, a foreign government must certify to the Administrator that the pesticide will not be produced domestically, or imported from another country. The Committee intends that this provision will ensure that these procedures do not effectively transfer the market share of a U.S. pesticide manufacturer to a foreign competitor.

The Administrator's role is significantly expanded from that under current law to allow EPA to enforce the decisions of foreign importing countries. Additionally, to facilitate U.S. participation in future international pesticide export controls, the Administrator is given the authority to implement controls resulting from any multilateral agreement of which the U.S. is a signatory.

Under current law, there is no requirement that pesticide labeling be written in an official language of the country of use or that pesticides must be prepared and packaged according to the specifications of the country of use. Pesticides exported from the U.S. may be misused or illegally used in foreign countries if applicators are unable to read pesticide labeling, or if the pesticide specifications and packaging does not meet the legal requirements of the country of use. The inclusion of these provisions in the Committee bill helps to ensure that a pesticide will be used in a safe, lawful manner in the country of use, thereby reducing the risk of illegal pesticides coming back into the U.S. as residues on food.

Finally, in order to increase the flow of pesticide information both to and from the United States, the Committee bill directs the

Administrator to participate in international activities to gain information on pesticide regulatory programs in foreign countries, assist foreign countries in developing pesticide regulatory programs, and provide notice of significant U.S. pesticide regulatory decisions to foreign countries.

Prohibition of certain pesticide exports

Under current law, any pesticide may be exported, including banned, suspended, cancelled, and unregistered pesticides. Current regulations require EPA to indicate the fact that an exported pesticide is not registered for use in the United States. EPA testified that it does not have, but should be given, the authority to restrict the export of a U.S. banned or severely restricted pesticide which a country does not wish to import.

The export of unregistered pesticides without food tolerances should not be allowed for several reasons. If the Administrator has not determined that a pesticide is safe (as indicated by lack of a registration and food tolerance), it is not allowed to be used in the United States. First, any pesticide exported for agricultural use may return to the U.S. in the form of residues on imported food. Therefore, these particular pesticides should be prohibited from export to protect the safety of the U.S. food supply. Second, it is unfair to allow foreign farmers to use pesticides on food to be exported to the U.S. when American farmers cannot use these same pesticides. Finally, the U.S. should not subject citizens of another country to the handling, use, and residues of a pesticide which EPA has little, if any, information on and which may be unsafe.

In addition, the Committee bill restricts the export of a pesticide which is registered for nonfood use in the U.S. if it is determined that the pesticide will be used on food in the importing country and an import tolerance has not been established by EPA for that food use. To aid in the enforcement of the Committee bill, and to provide guidance to those who must comply with its provisions, the bill specifies certain conditions under which it will be found that a nonfood pesticide is likely to be used on food in violation of this provision. This determination will be based on criteria which include advertising, pesticide use patterns in the country of use, and the quantity of the pesticide for export. The Committee bill decreases the possibility that nonfood use pesticides are exported from the U.S. and used illegally on food in foreign countries.

Under the authority of section 25(b) of FIFRA, EPA does not currently require registrations for certain pesticides. The Committee expects that the lack of registrations for these pesticides will not prohibit them from being exported under section 17 of FIFRA. In addition, the Committee intends that a tolerance whose revocation or suspension has been delayed pursuant to section 408(p)(1)(C) or (p)(1)(D) of FFDCA will have no impact on the prohibition of a pesticide export. The delayed effective date will not permit the export of a pesticide which would otherwise be prohibited.

The Committee bill requires that exported pesticides be labeled with the same information which is required for the label of the corresponding domestic product. The Committee expects that the labels actually used on exported pesticides will necessarily differ from those on domestic pesticides. For example, the bill requires

that the labels for exported pesticides be written in an official language of the country of use. It is also expected that some variations will be necessary in order to put the label information in a form that is meaningful and helpful to the user, such as by using the system of measurement which is generally employed in the country of use. Other variations in labeling which are not inconsistent with domestic pesticide regulatory requirements may be permissible, such as descriptions of use patterns and techniques which are permitted under section 2 (ee) (1-4) of FIFRA. The Committee also expects that exporters will use labels that conform to the legal requirements of the country of use.

The Committee expects that it may be necessary to allow the export of a pesticide which would otherwise be prohibited from export under certain circumstances. For example, if a pesticide is the only practical means to control the spread of a communicable disease or famine in a country of use, upon the request of the government of the country of use, the export of the pesticide will be allowed. However, the export is restricted to only those amounts necessary to control the conditions threatening human health and, prior to export, the exporter must agree to assist in providing for the disposition or removal from the country of use any unused or excess quantities of the pesticide at the time that the purpose for the use of the pesticide has been accomplished.

The Committee intends that the 180 day limit on pesticide use under a waiver will apply to each request of a country for a waiver and will not restrict the number of times that a country may request a waiver. The Committee expects that the Administrator will evaluate each request for a waiver based upon the justification provided by the country of use.

In addition, the Committee recognizes that the experimental use of pesticides is necessary for the development of new pesticide products. In most cases, an experimental pesticide will not have an EPA registration or tolerance. Therefore, a waiver may also be granted by the Administrator for the export of a pesticide for research. Under current law, prior to experimental use of a pesticide domestically, a manufacturer must provide certain information about the research to the Administrator as part of the application process for an experimental use permit. If the research is conducted in a foreign country, however, no information or approval is required. The Committee believes that this double standard for the treatment of domestic and foreign pesticide research should be eliminated to give foreign governments the opportunity to protect their citizens and to create for U.S. manufacturers the same incentive to conduct research in the U.S. as the incentive to conduct it overseas.

Under the Committee bill, a procedure parallel to the requirements for domestic research is established whereby comparable information to that required for a domestic experimental use permit is provided to the country of use by the exporting manufacturer prior to the research. The country of use must approve the research use of the pesticide before the export of the experimental use pesticide is allowed.

For the issuance of an experimental use permit, the Administrator has, by regulation, designated 10 acres as the minimum plot re-

quiring an experimental use permit. For smaller uses, the user is considered not to be seeking a pesticidal benefit, and the product being used in these instances is not considered to be a "pesticide" within the meaning of FIFRA. Such uses include laboratory and greenhouse tests. It is expected that this interpretation of FIFRA shall also apply to the export of pesticides under section 17 for the purpose of research where an experimental use permit is not required.

Pesticide tolerances and residues in food

Under current law, a pesticide which has had its registration cancelled or suspended may continue to be used by foreign farmers if the tolerance for the use is still in place. This creates a situation, commonly continuing for several years, in which the Administrator has determined that the pesticide is unsafe and American farmers are not allowed to use the pesticide, but it is still lawfully allowed on imported foods. Therefore, a dangerous pesticide may continue to be present in the U.S. food supply even though it has been banned in the United States. To eliminate this hazard to the U.S. food supply and its unfair effects on American farmers, the Committee bill requires the Administrator to cancel or suspend the tolerance for a pesticide use whenever a similar action is taken on the registration of the pesticide due to dietary risk concerns. In 1982, EPA proposed in the Federal Register to administratively implement such a policy, but has not followed this policy.

The Administrator may delay the effective date of a tolerance revocation or suspension to allow foods lawfully treated with a cancelled or suspended pesticide prior to a registration cancellation or suspension to be sold for the period of time normally taken to produce, process, transport, store and distribute the food. This delay will not be allowed if it would interfere with the adequate protection of public health. In cases where residual environmental contamination is unavoidable, the Administrator may establish a temporary tolerance at a level that permits the unavoidable residue to remain on the food and will protect the public health. However, not later than one year after the cancellation or suspension of a registration, and not less than annually thereafter until the effective date of the revocation or suspension of the tolerance, the Administrator must reduce the tolerance level for the pesticide to reflect any decrease in either residual environmental contamination or residues of the pesticide on lawfully treated food. The Committee intends that these provisions will both allow farmers and marketers to sell food which has been legally treated with a cancelled or suspended pesticide, and ensure adequate protection of the U.S. food supply for consumers.

According to the OTA, there is a gap between the number of pesticides that can be used on food and the number of pesticides that can be detected by current multiresidue testing methods. For example, less than one-half of pesticides used on food can currently be detected by any one of the testing methods most commonly used by FDA and USDA in their pesticide monitoring programs. OTA and GAO also concluded that existing testing methods used by the Secretary generally do not provide results fast enough to prevent

perishable commodities from reaching the market even after violations are found.

Currently, an analytical method for detecting the residues of a pesticide is required to be submitted when petitioning for a food tolerance from EPA. It is often the case, however, that this method is impractical for use by federal inspectors monitoring the food supply for unsafe levels of pesticides because the method is overly time-consuming, expensive or too limited in the number of pesticides it can detect.

Therefore, the Committee bill requires that there be a practical method of residue detection and measurement before a tolerance may be granted by the Administrator. The Administrator may determine a method for detecting and measuring the levels of a pesticide chemical to be practical only if the Secretary is able to perform such method on a routine basis as part of surveillance and compliance sampling of raw agricultural commodities and processed foods for pesticide chemicals with the personnel, equipment, and other resources available to the Secretary. In making such a determination, the Administrator shall give significant weight to a consideration of whether such method has a reasonable capability for detecting and measuring the presence of a plurality of pesticide chemicals on the raw agricultural commodity or processed food to which the tolerance applies.

The amount of residue monitoring of imported food that FDA, the federal agency responsible for inspecting 90 percent of all inspected food in the U.S., conducts is very limited. Because of limited FDA and USDA resources for pesticide residue testing, targeting of specific pesticides and countries is extremely important. Currently, there exists very little information upon which such targeting can be based.

The only information required to be collected from foreign countries on pesticide use by FDA is under the provisions of the Pesticide Monitoring Improvements Act, enacted in the Omnibus Trade and Competitiveness Act of 1988 (P.L. 100–418). However, FDA has not been very successful in obtaining this information from foreign governments in usable form. Therefore, the Act requires additional information on pesticide use and practices to be collected by the U.S. agricultural attaches in foreign countries which export food to the United States. The attaches will forward this information in a report to the Secretaries of HHS and Treasury for use in monitoring pesticide residues on imported food.

Export information provided by U.S. pesticide manufacturers and exporters

In order for the Administrator to adequately regulate and monitor pesticide exports, the Administrator must have knowledge of the pesticides manufactured for export. Currently, no specific information on pesticides produced for export is required of manufacturers. No distinction is made between pesticides which are intended for domestic use and those intended for export. The Act requires chemical manufacturers to provide annually to the Administrator certain information on pesticides produced for export.

Exported pesticides return to the U.S. in the form of residues on imported food. The public has a right to have available information

on pesticide exports in order to monitor the use of pesticides on the U.S. food supply, and to assess the effects of exported pesticides on the environment and public health. The Committee bill requires the Administrator to release certain information on pesticide exports, including the type, destination, intended use, date and quantity of the pesticide being exported. The quantity of a pesticide export will be made public in the form of a range which will be prescribed in regulations issued by the Administrator, for the purpose of protecting the confidentiality of such information where necessary. Similar information to that which is made public under domestic experimental use permits will be made available for pesticides exported for research purposes. The availability of this information will also ensure that the Administrator and Secretary are held accountable for pesticide import/export regulation.

TITLE XVIII—GRAIN QUALITY

Background

The United States has a large grain industry that not only supplies domestic needs but also supplies other nations with much of their import demand. The volume and value of U.S. grain exports varies from year to year depending on world supply and demand conditions and the competitiveness of the United States in world grain trade. An important component of competitiveness is the quality of U.S. grain, including marketing quality and performance consistency.

Concerns about the quality of grain exported from the United States were an important part of the debate during consideration of the Food Security Act of 1985. At that time, Congress concluded that insufficient information was available on the existence, nature, and seriousness of grain quality problems, their causes and alternative remedies. This lack of information caused Congress to direct the Office of Technology Assessment (OTA) to conduct a comprehensive study of the technologies, institutions, and policies that affect U.S. grain quality and to prepare a comparative analysis of the grain quality systems of major export competitors of the United States. That study, titled "Enhancing the Quality of U.S. Grain for International Trade" (OTA-F-399), was completed and published in February 1989.

The OTA report found that the quality of U.S. grain in international trade was, in some respects, below that of some of our major export competitors. The nations exporting high quality grain make a concerted effort to maintain and improve quality for reasons of competitiveness. Grain importers are increasingly aware of the quality differences between the suppliers. The importers factor, along with price and supply, those quality differences into their purchase decisions.

An important conclusion of the OTA investigation was that U.S. grain quality problems were institutionally induced and system wide. Throughout the grain industry (from plant breeder to equipment manufacturer, to farmer, to rural country elevator, to shipper, to exporter) decisions are made in response to economic incen-

tives and rewards. The predominant incentive has been, and continues to be, to increase quantity, often at the expense of quality.

The Federal Government plays an important role in shaping the behavior of the grain industry. It most directly influences grain production and marketing through the system of official grain standards administered by the Federal Grain Inspection Service (FGIS) and through commodity price and farm income support programs conducted by the Commodity Credit Corporation (CCC).

Official grain standards establish a consistent and uniform set of factors for describing the character of grain. This facilitates trading among buyers and sellers based on description rather than the visual inspection of each lot by the purchaser. Shipments from a wide range of sources can be combined into a few categories that retain a uniform character reflective of the prescribed standards.

Properly defined grain standards enable end-users to communicate their economic value judgments concerning quality back through the marketing chain. When the market, through the mechanism of prices, sends signals that reflect end-user values, then an incentive system exists that rewards quality.

Critics of the current system argue that existing standards do not adequately reflect the value traits that end-users seek. So, exchange is facilitated by current standards but prices do not always reflect end-use value. Some foreign grain buyers complain that a simple reliance on grade descriptions does not give them consistently uniform shipments from the United States that meet their needs. They state that they do not have similar problems when buying from some other nations. Likewise, U.S. farmers complain that prices they receive do not reward them for quality improvements they make and that some foreign buyers seek.

For many participants in the grain trade, it is sufficient that FGIS define and apply a set of uniform descriptive terms. Prior to 1986, that was the legal mandate of FGIS. Simply applying any uniform set of descriptive terms, called grades and standards, facilitates trade but does not necessarily communicate value. The legal mandate of FGIS was broadened in 1986 to incorporate value characteristics and quality incentives in official standards. However, additional modifications can be made that will strengthen the relationship in the marketplace between price and quality.

Commodity price support programs, through the mechanism of CCC nonrecourse loans, guarantee participating farmers minimum prices and a market for grain. Even when market prices are above loan rates, the loans are a source of short-term financing. Deficiency payments provide income support without exposing CCC to stock acquisitions. Participation in the commodity programs has been high in recent years, and so have strongly influenced farmers' production and marketing decisions.

The loan program provides farmers a guaranteed price and guaranteed outlet for all they can produce with little distinction for quality differences. Likewise, deficiency payments are calculated on the basis of production volume rather than quality.

The combination of grain grades that do not adequately reflect end-user needs, and price support programs that favor volume over quality, have encouraged the production of large volumes of grain but of less than the best quality. Volume is important in a hungry

world. However, increased global production has put many commercial importers in the position of looking for higher quality supplies.

Purpose and need

From the investigation by the Office of Technology Assessment and from hearings held by the Subcommittee on Agricultural Research and General Legislation, the Committee has determined that:

(1) the United States grain production and marketing industry is fundamentally sound and strong, making the United States a dominant competitor in world export markets;

(2) demand for higher quality grain by major importers and domestic users, and attention to quality by major competing exporters, necessitates that the United States improve the quality of its grain in order to maintain a strong future competitive position in world and domestic grain markets;

(3) many overseas and domestic buyers desire cleaner grain, provided it is competitively priced, because foreign material, dockage, and broken kernels contribute to a range of adverse conditions during storage, handling, loading, transport, and processing;

(4) increased automation, continuous flow processing, and manufacturing technology necessitate greater consistency of performance;

(5) increased understanding of intrinsic characteristics of value to end-users is making buyers more alert to quality differences among suppliers;

(6) competing major grain exporters maintain a high level cleanliness, performance consistency, and uniformity as the result of regulatory controls on the release of new grain varieties, production practices, quality-related receival standards at rural elevators, and/or centralized export controls;

(7) neither commercial markets nor Federal price support programs adequately reward end-use quality characteristics of grain;

(8) no single grain producer or exporter has the economic position to assume the risks of individually establishing higher or more complete quality standards;

(9) critical elements to improving grain quality in the United States include: (A) increased knowledge of end-use performance characteristics by plant breeders, producers, and marketers; (B) review of grain grades and standards as to characteristics most important to intermediate and end-users; (C) improvements in the cleanliness and sanitary condition of grain; and (D) quality-based economic incentives through Federal government programs and the marketplace;

(10) the Federal Grain Inspection Service Advisory Committee and a series of unofficial grain quality workshop meetings have addressed some grain quality issues, and these efforts are encouraged as assistance to the Secretary of Agriculture in implementing legislation that will improve the quality of United

States grain and improve the competitiveness of U.S. grain in international trade.

As a result of the above determinations, the Committee has adopted several provisions that relate primarily to grain standards and the operation of commodity price support programs. The purpose of the legislation is to ensure that, where the Federal Government intervenes in the production and marketing of grain, it does so in ways that encourage improvements in quality in order to enhance the competitiveness of the U.S. grain industry.

Discussion

SUBTITLE A—COORDINATION AND EVALUATION OF GRAIN QUALITY IMPROVEMENTS

Committee on grain quality and grain quality coordinator

Section 1811 requires that the Secretary of Agriculture establish an intra-departmental Committee on Grain Quality. This Committee is to be chaired by an individual designated by the Secretary as the Grain Quality Coordinator. The Coordinator shall be an individual with rank above the level of agency administrator. The members of this Committee should include representatives from, or officials overseeing, agencies within the Department that have programs and activities that directly or indirectly impact on the quality of grain produced in the United States, and agencies that have programs and activities that relate to the marketing of grain to foreign and/or domestic users.

The list of specific duties assigned to the Coordinator is intended to give the Coordinator the responsibility to identify and correct grain quality problems. A key objective of this effort is to enhance the competitive position of the United States in international trade.

The Coordinator, through the Secretary of Agriculture, is to investigate and communicate to the Congress specifically on actions taken by the Department to improve the quality of grain, actions taken by the Department inconsistent with the goal of improving grain quality, conditions in the production and marketing sectors that discourage improvements in grain quality, interrelationships of rules and actions taken throughout the Federal Government that affect grain quality, recommendations for legislative or regulatory changes that would address grain quality problems, progress made and benefits expected from harmonization of sanitary and phytosanitary requirements affecting grain, opportunities and benefits from the harmonization of grain grades and standards, and alternative forms of financial and technical assistance available and needed by producers and elevator operators to acquire and properly utilize grain cleaning, drying, and storage equipment.

Benefits and costs associated with improved grain quality

Section 1812 directs the Secretary of Agriculture to carry out an economic analysis that estimates the benefits and costs, and the distribution of the benefits and costs, prior to making major changes necessary to carrying out sections 202, 204, and 205 (relating to improved cleanliness, the establishment of grade-determin-

ing factors and factor tolerances, and the prohibition of contamination). This section is intended to codify the requirement for economic analysis now contained in Executive Order 12291 as it applies to grain standards.

SUBTITLE B—MEETING THE PERFORMANCE REQUIREMENTS OF INTERMEDIATE AND END USERS

Classification, grades and standards design framework

Section 1821 adds to the declaration of Congressional policy in the United States Grain Standards Act the principles that official standards for grain: 1) shall reflect the economic value-based characteristics in the intermediate and end-uses of grain, and 2) shall accommodate scientific advances in testing and new knowledge concerning factors related to, or highly correlated with, the end-use performance of grain.

This provision provides explicit recognition that economic value is created in the end-use of grain and that grain standards should serve a beneficial purpose for end-users. The term "intermediate-" user of grain is included to broaden the meaning of end-user to include intermediate stages in the processing of grain before it reaches final transformation into a consumption good. For example, flour millers may be considered intermediate-users of wheat while bakers and noodle makers may be considered end-users. Similarly, crushers are intermediate-users of soybeans, supplying oil to refiners and meal to feed compounders. In practice, the intermediate-user may be as familiar with the intrinsic and compositional characteristics of grain important to the end-user as is the end-user.

Improving the cleanliness of grain

Section 1822 amends the United States Grain Standards Act to require the Administrator of the Federal Grain Inspection Service to establish economically and commercially practical levels of cleanliness for grain of No. 3 grade or better. Tighter tolerances for cleanliness characteristics shall be set as part of the Official United States Grain Standards if the Administrator determines that they would: (1) enhance the competitiveness of exports of grain from the United States with grain marketed by other major exporters, (2) result in the maintenance or expansion of the U.S. market share for grains, (3) result in the maintenance or increase of U.S. producer income, and (4) be in the interest of U.S. agriculture taking into consideration technical constraints, economic benefits and costs to producers and industry, price competitiveness, and importer needs.

This section addresses the concern of Congress that the competitiveness of U.S. grain is currently disadvantaged in international trade and the value of grain is diminished in domestic markets for reasons related to lack of cleanliness. There is uncertainty concerning the costs and benefits to producers and industry that will likely result from setting tighter limits related to the cleanliness of U.S. grain.

The Committee intends that the Administrator of the Federal Grain Inspection Service will undertake an investigation and make

a finding within one year from the date of enactment concerning the costs and benefits of improved grain cleanliness for the major export grains, including wheat, corn, soybeans, barley, and sorghum. The report should determine whether and for what reasons cleanliness of grain is an economically important characteristic to foreign and domestic users, whether or not U.S. grain is as clean as that exported by major competitors, whether the U.S. export market share and farm income will be maintained or increase as a result of improved cleanliness, and what the anticipated costs and benefits are to producers and industry from taking action to improve cleanliness.

If the economic investigation shows that setting tighter limits on cleanliness characteristics is in the best interest of the U.S. grain industry, the Administrator shall proceed to establish such limits. The limits established shall reflect consideration for technical constraints, economic benefits and costs to producers and industry, the price competitiveness of United States agricultural production, and levels of cleanliness met by major competing grain exporting nations.

In setting limits for each grain related to cleanliness, the Administrator shall follow established rulemaking procedures. A phase-in of any change in standards is directed in order to minimize any disruptions to the industry. The directive for a phase in period should not preclude other alternative actions that would minimize disruptions created by a change in cleanliness limits.

The Committee intends that, after the initial cycle of changes in standards for cleanliness conditions required by this section, subsequent modifications will coincide with and become a part of the established schedule and procedure of the Administrator for review and modification of the standards of grain.

Cargo loading requirements

Section 1823 amends the United States Grain Standards Act to require that all export grain that is officially inspected shall be loaded aboard the final carrier according to a plan that favors neither the buyer not the seller. It is recognized that grain is inspected and loaded on the basis of samples rather than continuous examination. Sampling error is a limitation recognized by buyers and sellers. However, the loading plan should provide for certification of quality as accurately as possible. It is the intent of this section that the loading plan not contain biases that favor one party over another.

Grade determining factors related to physical soundness and purity

Section 1824 amends the United States Grain Standards Act to require that the Administrator of the Federal Grain Inspection Service establish grade-determining factors and factor limits that reflect levels of soundness and purity that are consistent with the performance goals of the major foreign and domestic users of each grain. The factor limits, or tolerances, for grades No. 3 and better shall be set to facilitate the general utilization of these grades in acquiring grain that is adequately sound and pure so as to perform as expected. This is accomplished if there is, in general, minimal

need for users to specify tighter limits related to soundness and purity than those established as grade limits.

Determination of the factors and factor limits shall be based upon expert technical knowledge of performance requirements of grain, as well as examination of the explicit specification of users in their acquisitions of grain.

The phrases "general utilization" and "minimal need" are included as explicit recognition that there are a range of uses of each grain, some having uniquely high requirements related to soundness and purity and others having low requirements. Likewise, even where the end use is similar, there may be some processors of grain that are exceedingly demanding and others that have low standards. The factor limits need not be set to accommodate those most stringent uses and users. Similarly, the factor limits need not be as permissive as the least demanding uses and users. For such situations, it is expected that additional specification will be made by the buyers in their purchase contracts.

This Committee intends that any readjustment in the value of grain inventories resulting from changes in standards should be minimized by the timing of such changes. This can be accomplished by making changes when the inventories of grain stocks are at low levels. It is, therefore, recommended that changes in grain standards become effective at the beginning of the crop marketing year.

Prohibition of contamination

Section 1825 amends the United States Grain Standards Act to allow the Administrator of the Federal Grain Inspection Service to prohibit the contamination of sound and pure grain (through the introduction of nongrain substances, toxic grain that exceeds action limits established by the Food and Drug Administration (FDA) and grain having residues that exceed tolerance levels established by the Environmental Protection Agency (EPA) (where these agencies have established action limits and tolerance levels specifically for grain), or unmerchantable grain with grain that grades No. 3 or better. In no case is the Administrator permitted to prohibit the blending of an entire grade of grain.

Prohibitive action is authorized if the safety and performance of the resulting combination of grain will not achieve levels of safety and performance expected of grains that grade No. 3 or better. The purpose of any prohibitive action is to ensure the safety and performance of No. 3 or better grain.

It is not the intent of this section that the Federal Grain Inspection Service will assume responsibility for establishing food safety standards or pesticide residue tolerances. These activities are the responsibility of the FDA and the EPA. Rather, authority to prohibit contamination is intended to protect the integrity of grain of No. 3 and better grade. The Federal Grain Inspection Service shall have authority to prohibit grain exceeding established action limits or residue tolerances determined by FDA and EPA from being combined with and marketed as grade No. 3 or better.

The term "unmerchantable" means grain that, in and of itself, is not fit for the ordinary purposes for which such grain is used. The term unmerchantable does not mean that the grain has no use or no economic value. It may have salvage value in an atypical end-

use. For example, wheat may be damaged from heat, fungus, scab, frost, sprouting, or insects beyond the point of being merchantable for milling into flour. However, it still may be merchantable as livestock feed. Likewise, corn may be damaged from heat, mold or rot beyond the point of merchantability to mills for grinding into livestock feed. Excessively damaged corn may still be merchantable to some livestock feeders, for conversion to ethanol, or for other specialized industrial uses. A bin of soybeans may have such an abundance of splits that it is not merchantable to a crusher. Split soybeans may still be extruded and made merchantable for feeding to livestock. These examples make it clear that unmerchantable grain is grain that is so damaged or defective that it is not fit for the ordinary purposes for which the grain is used, though it may have value outside the general market for that grain. The blending of damaged or defective grain with other grain to dilute the concentration of damage and defects is not considered to be an ordinary purpose for which such grain is used.

Sense of Congress concerning tests for purity

Section 1826 encourages the Federal Grain Inspection Service to give a high priority to developing testing capability for mycotoxins and pesticide residues in grain and to make such tests available in conjunction with official grain inspections. It is the judgement of this Committee that tests for mycotoxins and pesticide residues are important to assuring domestic and foreign buyers of the purity and safety of U.S. grain.

Sense of Congress concerning cooperative enforcement of Federal grain purity requirements

Section 1827 recognizes that the Food and Drug Administration and the Environmental Protection Agency have responsibility for establishing and enforcing food safety and purity standards, and encourages these agencies to seek the assistance of the Federal Grain Inspection Service in their enforcement efforts. Such cooperative enforcement can take advantage of the expert knowledge of the Federal Grain Inspection Service personnel and their physical presence in grain marketing channels.

Aflatoxin testing

Section 1828 amends the United States Grain Standards Act to require that all lots of corn exported from the United States shall be tested for aflatoxin on the basis of an official sample by official inspection personnel. The intent of this requirement is to assure foreign buyers that adequate aflatoxin detection efforts are being made, and that levels do not exceed specifications of the buyers or action limits established by the Food and Drug Administration.

The Committee recognizes that the Administrator may identify situations where required testing may not be necessary or appropriate. Since widespread aflatoxin contamination occurs relatively infrequently, the Administrator may desire to only impose testing requirements in years when aflatoxin contamination is expected to be widespread or when a buyer requests that such testing occur.

SUBTITLE C—INCORPORATING QUALITY INCENTIVES IN COMMODITY CREDIT CORPORATION PROGRAMS AND ACTIVITIES

Entry quality standards for all farmer-owned reserve grains

Section 1831 amends the Agricultural Act of 1949 to require that the Secretary establish standards of quality for grain accepted into the producer reserve program, and establish such inspection, maintenance and stock rotation requirements as are necessary to maintain the quality of reserve grain. The quality standards established should ensure the satisfactory performance of the grain once it is removed from the reserve program and made available for commercial use.

Price support loan incentives for quality grain

Section 1832 amends the Agricultural Act of 1949 to require that price support premiums and discounts be established for cleanliness factors in addition to any other premiums or discounts related to quality. It is intended that the price support program encourage and reward improved cleanliness to allow the market to achieve levels of cleanliness competitive with those of other major exporters who are recognized as suppliers of clean grain.

Premiums and discounts for cleanliness should be established before the beginning of the crop marketing year and maintained, without change, through the entire marketing year.

Premiums and discounts for cleanliness should be administered in such a way that there is no impact on the national average loan rate. In no case should establishment of premiums and discounts for cleanliness result in a decrease in the national average loan rate.

Quality requirements for Commodity Credit Corporation-owned grain

Section 1833 amends the Agricultural Act of 1949 to require that grain owned by the Commodity Credit Corporation shall meet minimum quality standards set by the Secretary to assure its storability and future end-use performance. To assure that grain acquired and owned by CCC meets the minimum quality standards, the Corporation shall utilize procedures to inspect and evaluate the condition of the grain that are approved by the Federal Grain Inspection Service.

Grain owned by the CCC is usually stored by commercial elevators under contract with the Corporation. To assure the security of the Corporation's assets, it is important that grain be examined to determine its quality. Examination of the grain is also needed to guard against any fraudulent activities that could result in financial losses to the Corporation. Grain owned by the CCC should be inspected when it is acquired and when it is disposed of, either by sale or donation.

Most of the grain acquired by CCC is through price support loan collateral forfeiture. If the grain has been in farm storage, inspection by approved procedures should take place when the grain is delivered to the account of CCC at a commercial elevator. Grain may be in a commercial elevator when it is placed under loan and is thus commingled with other grain when it is forfeited to CCC.

Elevators receiving grain subsequently placed under loan should inspect all receivals according to approved procedures.

FGIS approved procedures include, but are not limited to official inspections. Procedures developed in compliance with section 1852 of this Act shall be considered adequate, but not required, to fulfill the requirements of this section.

Establishing quality as a goal for Commodity Credit Corporation programs

Section 1834 amends the Commodity Credit Corporation Charter Act to require that the activities of the Corporation, when practical, promote quality in the production and marketing of crops and livestock in the United States. This amendment is intended to prevent in the future the adoption of program provisions that encourage quantity at the expense of quality in the production and marketing of crops and livestock.

SUBTITLE D—INTRINSIC QUALITY IMPROVEMENT

Seed variety information

Section 1841 requires that grain submitted for public testing be evaluated for specific agronomic and intrinsic performance characteristics with the results made available to the public. The Committee intends that the Agricultural Research Service will utilize the resulting performance data in its research activities, and that the entire grain industry will utilize the performance data to produce and market the varieties of grain that meet desired levels of performance. Requirements of this section are not intended and should not be interpreted or administered in such a way as to discourage submittal of varieties for public testing.

Survey of grain varieties

Section 1842 requires that the National Agricultural Statistics Service (NASS) periodically conduct, compile, and publish a survey of grain varieties commercially produced in the United States. It is intended that the NASS will respond to the data needs of the grain industry and researchers in designing the survey activities.

Analysis of variety survey data

Section 1843 instructs the Agricultural Research Service to analyze the data collected from variety surveys along with information on the intrinsic quality attributes of grain varieties to evaluate general intrinsic crop quality characteristics and trends in production related to intrinsic quality. The Congressional concern and reason for this section stems from the proliferation of new grain varieties and the wide ranging geographic distribution of some varieties. The results of research conducted under the directive of this section are intended to benefit those who make decisions on the release of new varieties.

Sense of Congress concerning end-use performance research

Section 1844 encourages the Agricultural Research Service and land-grant universities to increase the financial priority given grain variety evaluation and the development of objective tests for

the end-use performance properties of grain. These areas of research and development are considered critical to improving the quality and competitiveness of U.S. grains in domestic and world markets.

Sense of Congress concerning cooperation in objective testing

Section 1845 encourages the Federal Grain Inspection Service to continue to utilize the research capabilities of the Agricultural Research Service and land-grant universities in efforts to identify grain quality-related characteristics, develop tests, and design grain standards. This Committee intends that existing research capabilities be utilized on a cooperative basis without the need for FGIS to greatly expand its own research capability.

SUBTITLE E—ASSISTANCE FOR IMPROVEMENTS IN GRAIN QUALITY

Authority to assist farmers and elevator operators

Section 1851 authorizes the Secretary to provide grain producers and elevator operators with technical assistance (including information on availability of financial assistance) concerning the installation and improvement of grain cleaning, drying, and storage equipment. The Committee recognizes that proper cleaning, drying, and storage are critical to the preservation of grain quality. It is important that producers and elevator operators have available necessary technical assistance to assure that they properly clean, dry, and store the grain.

Standardizing commercial inspections

Section 1852 (a) and (b) authorize the Secretary to work with the National Institute for Standards and Technology and the National Conference on Weights and Measures to identify inspection instruments requiring standardization, establish commercial performance criteria for inspection instruments, develop a National Type Evaluation Program to approve inspection instruments for commercial inspection, and develop standard reference materials or other means for calibration or testing of approved instruments. The Secretary is directed to develop and make available to those making first-point-of-delivery inspections practical and cost effective procedures for conducting commercial inspections.

Section 502(c) directs the Administrator of FGIS to make available to rural county elevators and other facilities making first-point-of-delivery inspections a voluntary inspection certification program. This certification program is intended to encourage the use of approved inspection equipment and procedures. To assure farmers that certified commercial inspections are accurate within the limits of approved procedures, the Administrator is encouraged to develop a continuing quality control procedure as part of the certification program.

It is the purpose of section 502 to improve the uniformity and accuracy of farm delivery inspections where they result in price adjustments related to premiums and discounts for quality factors.

TITLE XIX—RELATED AND MISCELLANEOUS MATTERS

SUBTITLE A—ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION

American farmers are more productive than farmers in virtually any other country in the world. That productive capacity means that the U.S. can meet domestic food and traditional fiber needs with ease. But it has also meant that we the U.S. can overproduce certain commodities and that the Nation's production is concentrated in relatively few major food and feed crops. Many farmers are left with three choices: to produce at levels in excess of demand creating lower prices that will not cover the costs of production; to leave part of the farm capacity idle; or to find new uses for that capacity.

The Committee believes there is a need to develop new markets for our farmers. The small number of research projects and development efforts which have been conducted in the area of new crops and crop uses indicate the potential for immense returns on research investments in this field. Biodegradable plastics, industrial chemicals, chemical feedstocks, cosmetics, pharmaceutical products and super absorbent polymers are among the many industrial products where evidence exists that products could be developed and produced from agricultural crops. Many essential products such as natural rubber could be derived from plants. Further, new crops could supplement essential American industrial materials such as waxes, resins, gums, and lubricants.

For many years government studies have targeted new crop development as an exciting and profitable way to meet industrial needs. Yet despite the repeated testimony and statistics, only a fraction of the Federal agricultural budget is invested in new crop development. In addition, farmers are reluctant to try new crops when they are unable to identify a market for that product. Therefore, more research and research dollars are needed to develop markets for new crops.

The Committee believes that the commercialization and marketing of new industrial products and processes derived from agricultural and forestry commodities will assist in: (1) rural economic development by benefitting rural businesses and communities,; (2) developing traditional and new agricultural and forestry crops by increasing agricultural diversity; (3) make the U.S. more competitive in the world economy and improve the trade balance; and (4) provide industrial products derived from renewable resources which are safer for the environment and reduce our reliance on nonrenewable resources.

Greater Federal focus and effort are needed on commercialization to achieve these goals. This subtitle is intended to assist the ability of American agricultural industries to develop and commercialize new industrial products derived from our farm and forest products.

This subtitle establishes a non-profit corporation, the Alternative Agricultural Research and Commercialization Corporation (AARCC), to provide competitive grants for the development of new industrial uses for agricultural and forestry commodities, and busi-

ness financing and technical assistance for the commercialization of these products.

The Committee intends that this legislation will identify new industrial products which will expand and diversify the markets for agricultural products rather than serve to compete with, or displace, current American agricultural products. The result will be a healthier rural economy.

The Committee has determined that the time has come to adjust the Nation's priorities and increase the funding for research necessary to develop new crops and crop uses and provide business financing for commercialization of the new uses. Recent studies by the National Academy of Sciences, the Office of Technology Assessment, and the Government Accounting Office all indicate the need for additional emphasis on alternative agricultural research, especially biotechnological research.

In 1987, the Subcommittee on Agricultural Research and General Legislation held a hearing on the report of the New Farm and Forest Products Task Force to the Secretary of Agriculture. The Task Force had been assembled by the United States Department of Agriculture to assess opportunities to diversify agriculture. It concluded that the commercialization of new industrial uses for agricultural and forestry products represented a significant economic opportunity for the agricultural and forest industries and for rural communities.

The Task Force found that while the Nation's agricultural system has discovered many new non-food, non-feed industrial products, it has often failed to develop and commercialize these products. The Subcommittee learned from the Task Force of the numerous difficulties that private companies experience in trying to develop, produce and market these new industrial products. The commercialization process requires the expertise of scientists, engineers, manufacturers, market developers, financiers and business managers. Most companies simply do not have all the needed expertise. The scientific and business sectors should be encouraged to interact in commercialization efforts.

In addition, the costs and risks associated with commercializing new products are very high. The future of such ventures is inherently unpredictable. Few companies or entrepreneurs have the resources to commercialize these new industrial products, and few financial institutions are willing to take the needed risks. Investors are reluctant because they are not able to precisely predict the market for new products.

To resolve these problems, the Task Force recommended that the Federal government establish an independent, nonprofit corporate entity to facilitate the commercialization of new industrial products derived from agricultural and forest commodities.

Subsequent Subcommittee hearings confirmed these three primary obstacles to commercialization: long-term high risk; financing; and coordination of the research and business communities. This "commercialization gap", the stage of commercialization which includes technology and product and market development, is estimated to account for a major share of the cost of moving new products to market. While the Stevenson-Wydler Technology Innovation Act, the Federal Technology Transfer Act, the Critical Agri-

cultural Materials Act, and several patent law changes have somewhat improved the transfer of new industrial products ideas to the private sector for commercialization, they have not fully addressed the commercialization gap. The Committee recognizes that significant additional Federal effort is needed, including competitive grants, business financing, and the linking of public and private efforts. The Committee recognizes and commends USDA's current efforts to commercialize new industrial products, but believes adequate funding has not been focused on this opportunity.

The failure to commercialize our newly developed ideas results in missed economic opportunities. The Committee found that the commercialization effort must be expanded to provide assistance to more projects. We also recognize that Federal assistance must go beyond the technology transfer agreements, cooperative research agreements, and the coordination of research and development information. The private sector simply will not initiate enough industrial product commercialization ventures without some Federal or State sharing of the initial risk. The Committee also determined that the establishment of partnerships between the Federal, State and local government, the research community and the private sector, and the provision of short-term bridge financing to leverage private financing is necessary to close the commercialization gap.

The Committee intends that a separate competitive grants program be established to focus attention on the vital area of new industrial product development. This legislation establishes an independent corporation to provide leadership and focus on new industrial product commercialization. The corporation answers the need for a national policy to promote and assist the private sector in the commercialization of the products developed through our agricultural research. The Committee intends that the elevation of this effort to an independent Federal office, as well as the provision of financing and business counseling, and the direct involvement of the private sector and local governments, will result in greater success in speeding new industrial products from the laboratory bench to the market shelf.

The Committee has chosen a corporate structure for this effort because it is a structure that private businesses understand. It will ensure that decisions, including those regarding commercialization funding, are made by a multi-member Board of Directors having a broad range of expertise in the private and the public sector.

AARCC will provide two primary types of assistance. First, it will award peer-reviewed competitive research grants for new industrial product research and development. When evaluating a project for research funding, the Board should take several criteria into account, particularly the likelihood of success. Each project should be considered on its own merit regardless of its potential application or use of agricultural land.

In selecting research projects, the Committee intends that the Board should also consider: (1) the prospect of developing the technologies necessary to provide an economically viable quantity of new products; and (2) the relative cost of the research necessary to make these products viable for the marketplace. If new types of equipment are needed but are not affordable, then it is not likely these criteria can be met. The Committee intends that the Board

carefully examine the practical difficulties involved in cultivating new crops. Further, the Board should determine if major changes in a farm's area and equipment will be needed in order for a farm to profitably grow the new crop.

The availability of the expertise and facilities required to conduct the proposed research must be considered. The Committee does not intend that any significant amount of research funds authorized under this bill will be allocated for the construction of research facilities. Utilization of existing facilities should be encouraged.

Projects selected should not only aid the agricultural sector, but also benefit consumers by providing new and useful products, assuming the need for a new product has been determined. In establishing the potential market size of a new product, the likely time period needed to bring the new product to the market can be a factor. New product development, especially through biotechnological research, can take many years. While the Committee intends that the Board will look to projects that will provide economic benefits in a relatively short period of time, the Committee recognizes that many valuable projects will require a long period of study to produce commercially viable products. These long-term projects should be considered for funding, recognizing that such funding may need to be provided in phases or may require a larger share of risk from the entrepreneur.

The Board may recommend, and the Secretary may establish, contractual requirements for matching funds where such funds are available and where such a requirement is not likely to significantly reduce the quality and timing of the research that is necessary to complete a project. Projects may be funded for periods of not less than three years or until a marketable product is developed. Funding of biotechnical research projects is encouraged. The Committee intends that funding should be al- located for an entire project and should not be provided on a research-activity-by-research-activity basis. Periodic checks on progress and adjustments to the original agreement are permitted by the Board. This does not preclude partial funding of projects where only limited funding is available from alternative sources. However, the determination of what is considered limited funding shall be made by the Board, not by the individual requesting the funds.

The second type of assistance AARCC will provide is business financing and technical assistance to commercialization projects. The intent of the Committee in establishing this corporation as an independent agency is to ensure that it operates as a business, not a bureaucracy, making business decisions, and establishing business networks to facilitate commercialization. The Committee intends AARCC's independence to prevent political pressure from influencing the decisions of the Board of Directors. Funding decisions for commercialization assistance will be based on the feasibility of the project, the marketability of the product, and the ability of the applicant to commercialize the product. The Committee has decided to give the Secretary the authority to veto commercialization assistance decisions made by the Board.

This independence will also ensure that the funds are directed toward development and commercialization, rather than diverted

to other purposes, and that this commercialization effort will not be relegated to a minor activity within the Secretary's larger research effort. The Board shall report directly to the Assistant Secretary for Science and Education and the Corporation shall not be considered under or as a part of the Agricultural Research Service, the Cooperative State Research Service, the Extension Service or the National Agricultural Library. The AARCC, established as a revolving fund, is intended to be a self-sustaining entity. Funds to finance AARCC's operations will come from revenues generated, after an initial capitalization.

It is the Committee's intent that dynamic individuals who have solid experience in the professions involved in developing and commercializing new products, including science, agriculture, business management and financing, will be selected for the Board of Directors. It is vital that the Board have strong private sector representation since the Board's purpose is to facilitate private agribusiness ventures in new industrial products.

The Committee expects AARCC to work with other Federal agencies to gain broader expertise and technology and to share and disseminate information to speed commercialization. The Secretary is expected to use existing technology transfer authorities to facilitate commercialization.

The Committee also intends that assistance will not be limited to products discovered through USDA initiated or funded research. If a proposal meets the eligibility criteria established by the Board, AARCC should consider it for funding, regardless of the origin of the research.

Further, the Committee does not intend that the financing authorized by this subchapter compete with private financial institutions or venture capital organizations. It is not the Committee's intent to duplicate existing funding sources nor to put the Federal Government in competition with a private firm that is already conducting such a project. Instead, the AARCC should fill a financing gap in the early growth period of innovative firms. In fact, early public financing will attract private venture capital which would not otherwise be available.

The Corporation is also authorized to provide technical assistance. For example, there may be instances in which participants in a commercialization venture need assistance in contacting interested financiers, manufacturers, or scientists to solve a particular technical problem.

The Regional Centers established by the Board are not intended to compete with existing regional efforts to commercialize new industrial products derived from agricultural and forestry commodities. The Committee expects that a proposal for the establishment of a Regional Center will include, whenever possible, the participation of such existing regional efforts.

In addition to this criteria, applicants must show that the new industrial product is scientifically sound, technologically feasible and marketable. Applicants must also demonstrate that: adequate private sector funding is not available, but that private or public sector funding can be obtained if AARCC assistance is provided; that their own financial resources have been invested in the project; that the proposal will be carried out with the broad partici-

pation of agricultural, scientific, financial and managerial ability; and that the product has the potential to be commercially viable without continued AARCC assistance.

Preference will be given to applications which create jobs in economically distressed rural areas, and which have State and local government financial participation, or private sector financial participation.

The Committee intends AARC to have a small, streamlined administrative structure, with a limited number of employees, to ensure that most funds are used for research and commercialization assistance. Thus, the Committee expects that the Corporation will establish a network of volunteers to assist Regional Directors and Advisory Councils in reviewing proposals and ongoing projects, and with other duties. The model for AARCC, the Indiana Corporation for Science and Technology (CST), has a small staff but a network of over 500 volunteer technology experts from universities, businesses, and industries. The Committee recommends that the Secretary use CST's organizational model when implementing this subchapter.

The Committee strongly believes that it is necessary that the Executive Director and Regional Directors be full-time employees of the Corporation, to ensure their full-time focus, including the establishment and maintenance of public and private networks and the understanding of regional resources and needs.

When selecting projects for AARCC financial assistance, the Committee intends that most such businesses will be established in rural areas, near the source of the raw material, and will provide jobs to rural residents. It is our hope that the businesses established by AARCC will bring many new jobs to rural areas, including management, construction, manufacturing, and farm production jobs and increased sales for agricultural businesses.

SUBTITLE B—GLOBAL CLIMATE CHANGE PREVENTION

It is clear from measurements made over the last century and ice core data reflecting over 100,000 years that the Earth's atmosphere is changing at an unprecedented rate due to increasing concentrations of carbon dioxide (CO_2), methane (CH4), nitrous oxide (N_2)), tropospheric ozone (O3), and chlorofluorocarbons (CFCs). Due to the emissions of these gases to date, it is likely that there will be unavoidable future changes in temperature and other climatological factors even if stringent efforts are made to limit emissions.

It is important to understand the potential risks that global warming presents to agriculture. In general, global warming has been shown in several studies as being likely to cause changes in the climatology and hydrology of major crop growing areas. These changes may lead to climatologic regimes outside of recent experience and could potentially interfere with the world supply of food and the agricultural production of many countries.

During a series of hearings held by the Senate Committee on Agriculture, Nutrition, and Forestry (in one case jointly with the Foreign Operations Subcommittee of the Committee on Appropriations) on global warming and agriculture there was testimony from

a range of experts on the great sensitivity of U.S. agriculture to these potential changes in climatology and hydrology.

There has been some debate on the effects of global climate change on agriculture. The potential for damage to U.S. agriculture is enormous and is taken very seriously by the Committee. The Committee's concern about global climate change intensified as a result of the testimony before the Committee by the NASA Goddard Institute of Space Studies. Dr. Cynthia Rosenzweig of the Institute, together with a number of other scientists completed a study funded by the Environmental Protection Agency on Global Climate Change and U.S. Agriculture. There were two findings in the study which the Committee found of great significance. First, the responses to climate change of different regions in the U.S. is predicted to cause significant regional shifts in U.S. agriculture. Second, significant increases in irrigation would be needed to maintain even decreased levels of U.S. agricultural production, increases highly unlikely to occur because of uncertain supply of and competing demands for water. While the study found that there would still be adequate production to feed the U.S., this is small comfort to people in those countries which depend on the importation of U.S. agricultural commodities for their survival. Decreased agricultural production would also have detrimental effects on the U.S. trade balance. U.S. agricultural exports have been an important contributor to the positive side of the U.S. trade balance.

Accordingly, the Committee determined that it is important to act now to try to avoid an adverse effect on U.S. agriculture of potential global warming. The legislation focuses on the interrelationship between potential climate change, agriculture and forestry. The legislation provides for:

1. Use of forestry as a positive means of absorbing CO_2, thereby slowing down potential climate change.
2. Heading off the potentially severe impact of climate change on U.S. agriculture and forestry by setting a sharply focused USDA research agenda.
3. Assessing whether agriculture contributes to global warming.

Agriculture and Global Climate Change

This chapter encourages the Department of Agriculture to focus on the implications of climate change for forestry and agriculture.

Office of Climate Change

This subtitle establishes an Office of Climate Change to serve as a focal point within USDA to deal with climate change issues. The purpose of this Office is to insure, through policy analysis and long range planning, that USDA will fully integrate a concern for the potential for climate change into the planning, research, and decision-making processes of the Department.

This subtitle also provides for a USDA study assessing the potential effects of global climate change on U.S. agriculture and forestry and on global food production and trade. This study would build on those sections in the EPA reports to Congress "The Potential Effects of Global Climate Change on the United States", and "Policy Options for Stabilizing Global Climate" dealing with agriculture and forestry.

Research on Global Warming, Forests, and Agriculture

The primary purpose of this subtitle is to identify research priorities and direct research for examining the effects of global warming on forests and agricultural productivity and to determine and demonstrate possible changes in forest management and agricultural practices which could lead to reductions in the emissions of greenhouse gases.

Effects on Agriculture and Forestry in the U.S. and World-Wide

There are potential large risks from increases in temperature to crops grown widely in the United States such as maize, sorghum, wheat, soybeans, rice and millet. Testimony before the Committee dealt with existing studies that show that these grains are adversely affected by high temperatures during phases of early growth, flowering and ripening. Studies also show that the viability and vigor of the next generation of seed are adversely affected by high temperatures during the development phases of millet and soybeans.

The largest potential risks of a global warming may be to world rice production. Rice is a major world crop, providing 70 percent of the world's caloric intake and feeding 2.8 billion people. Several studies have shown that rice is currently grown in conditions that are warmer than those for optimal productivity and that further increases in temperature will have a dramatic effect on production levels. The actual effect on rice production of combined increases of temperatures and changed hydrologic regimes are unknown but could potentially be worse than with high temperatures alone.

Research is necessary to assess the risks from global warming and to determine how to mitigate these risks where it is necessary and where it is feasible. For example, if rice varieties are found to be harmed by high temperatures (and by high levels of carbon dioxide and different hydrologic regimes) it may be possible to breed new varieties of rice which are tolerant to global warming in the same manner as tolerance to drought, pests and salinity have been bred into rice plants over the last decades. The need for these programs must be determined soon, however, because it takes many years to develop and fully test new plant varieties. Similar work needs to be performed for the crops widely grown in the U.S. The Committee intends that such efforts be made a priority within the Department's Office of Climate Change.

The "Domestic Research on Global Warming, Forests, and Agriculture Act of 1990" mandates a specific research agenda for examining the effects of global warming on forests and on agricultural productivity of major U.S. crops, corn, wheat, sorghum, millet, soybeans and rice. The research on these crops would address the impacts of simultaneous increases in temperature and carbon dioxide, more severe weather, potential changes in hydrologic regimes, increased drought and changes in pest problems.

This research would lay the groundwork for efforts to mitigate potential adverse effects of global warming on these crops, including research to find plant varieties more temperature tolerant and drought resistant, an evaluation of the sufficiency of current genetic resources and plant breeding programs and an assessment of

whether resistance to drought, pests and salinity can be combined with tolerance to increased temperature.

Finally, the section directs research to assess whether agriculture might be contributing to global warming and ways that forests and agricultural systems may offer the potential for limitation of emissions through changes in planting, harvesting, fertilizing and other agricultural practices.

With respect to research, this section requires, subject to appropriations, that $25 million per year for six years be spent on major U.S. crop studies, $10 million per year for four years on rice studies, and part of $15 million per year for three years on forest studies.

By specifying these research areas and funding levels the Committee intends to expedite the development of the research programs and the dissemination of critical information. In addition, the research objectives have been structured so that subsequent work will be performed (and dollars spent) only if substantial risks have been identified and options for mitigation against these risks appear feasible.

Options for Reducing Emissions from Forestry and Agriculture

It is also important to formulate specific programs to limit potential emissions of greenhouse gases from agricultural and forestry practices, where possible. It is estimated that agricultural and forestry activities currently produce approximately 14 percent of the increased greenhouse gases emitted in the 1980's. Activities such as rice cultivation, improper livestock management, nitrogen intensive cropping, ruminant animal production, improper soil management, land conversion (deforestation) and biomass burning are significant contributors to emissions of greenhouse gases.

Furthermore, emissions from these activities are expected to increase substantially over the next several decades as population continues to grow at 1.3 percent per year reaching 8.19 billion people by 2025. With this growth in population there will be an associated expansion and intensification of agricultural activities.

Much more needs to be known about the nature and extent of these emissions. Given the increasing need for food associated with this population increase, it is important that strategies for reducing emissions be developed that simultaneously contribute to higher productivity and increased farmers' incomes.

Opportunities for reducing emissions of these gases have been identified in workshops recently held under the Intergovernmental Panel on Climate Change (IPCC). These opportunities include:

—Reductions in methane emissions from rice cultivation by 10 to 30 percent using a comprehensive approach including better water management, different varieties of rice, efficient use of fertilizers, and other management practices. Substantial research is necessary to develop and demonstrate these practices.

—Reductions in methane emissions from livestock systems by 25 to 75 percent per unit of product in dairy and meat production through a number of dietary changes and other management practices, although many uncertainties still exist.

—Reductions in emissions of nitrous oxide from nitrogen intensive crops through changes in practices such as using fertiliz-

ers with controlled nitrogen conversion rates, improving fertilizer-use efficiency, and adopting alternative agricultural systems.

—Reductions in trace gas emissions from biomass burning, land conversion, and cropping systems through widespread adoption of improved agricultural practices, optimizing use of soil nutrients, improved pasture management, and grazing systems.

While these opportunities have been identified for reducing emissions from forests and agricultural systems, and some of the opportunities have been identified as economically viable in their own right, much more work is necessary to develop further and demonstrate these options and effect their widespread use.

This legislation requires, subject to authorization, the following research spending: $5 million per year for three years on methane emissions from rice cultivation and control options; $5 million per year for three years on emissions from nitrogen intensive cropping practices and control options; $15 million for one year and $20 million for the next two years on livestock emissions and control options; and $15 million per year for 3 years on emissions from forests and forests as carbon sinks.

Specification of these research areas and funding levels should expedite the development of the research programs and provide critical information more quickly. In addition, the research objectives have been structured so that work will focus on control options and demonstration projects that will lead to cost effective means of reducing emissions of greenhouse gases.

Forestry and Global Climate Change

The purpose of Chapter 2 is two-fold: to encourage U.S. cooperation in helping other countries achieve sustainable economic development through natural resource management that meets human needs while protecting environmental quality, and, to that end, to encourage that the Forest Service participate in promoting sound management and conservation of forests and related natural resources through cooperative efforts with other countries.

International Forestry Cooperation

The 1980's have brought dramatic evidence that all countries, both developed and developing, face several complex, transboundary environmental threats. These include global climate change, toxic chemicals in the air, water contamination and loss of biological diversity. Tropical deforestation is of particular concern. The worldwide impact of environmental and economic threats such as tropical deforestation will depend heavily on how well nations cooperate in combating these global concerns. This section would provide the authority to the Forest Service to utilize its internationally recognized expertise in helping developing countries meet demands of natural resource development and protection.

Section 1933 provides a country focus, authorizes the Secretary of Agriculture to carry out certain activities, and states conditions under which the Secretary must work in concert with the Administrator of the Agency for International Development (AID). Subsection (a) states a Congressional finding that remedial actions in forest conservation and development in a relatively few "key coun-

tries" will substantially reduce emissions of greenhouse gases related to global warming, and, for this purpose, it directs the Secretary to focus international forestry activities under this section on those key countries. The key countries include industrializing, middle-income and low-income developing countries in the tropics. Characteristics which might help to identify key countries for reduction of greenhouse emission gases include the extent of their forest land and the rate of forest conversion.

The authorization for the Secretary of Agriculture to engage in international forestry activities is contained in section 1933(b). This would include technical assistance to countries in a range of specialties, the sharing of administrative skills, providing education and training, engaging in scientific exchange and cooperative research, and cooperating with domestic and international organizations on a bilateral or multilateral basis. Technical assistance would include the protection, conservation, management, and utilization of existing forests and range lands, the rehabilitation of degraded lands, the protection and improvement of wildlife and fisheries habitat, preparedness planning, training and other operational assistance to combat natural disasters, as well as other specialties within the competence of the Forest Service.

This section would provide clearer and better focused authority than currently exists for the Secretary to address the global environmental issues related to deforestation and unsustainable land management practices in the tropics and elsewhere. It would expand upon and complement the authority now provided by the Government Employee Training Act, the U.S. Information and Exchange Act, the Forest and Rangeland Renewable Resources Research Act of 1978, and annual appropriations acts.

Subsection (c) of section 1933 recognizes the lead role in U.S. development assistance of AID. For countries that receive assistance from AID, the Secretary is directed to undertake forest and natural resource activities only at the request of or with the concurrence of the AID Administrator. At present, the Forest Service cooperates with AID, with the USDA Office of International Cooperation and Development (OICD) and with the USDA Foreign Agricultural Service (FAS) in providing assistance to other countries on a request basis. This cooperation would continue under the provisions of this legislation. However, the potential contribution of the Forest Service to sustainable tropical forest development is larger than its current contribution. This legislation would authorize the Secretary to draw upon the skills of the Forest Service to complement the forestry and natural resource work of AID, focused on key countries, and to provide forestry assistance to key tropical countries not currently receiving AID assistance. Although the Forest Service receives requests for technical expertise and other types of assistance from such countries, current authorities limit the ability of the Secretary to respond.

Section 1934 of this section authorizes the Secretary of Agriculture to become involved actively in the Tropical Forestry Action Plan (TFAP), coordinated by the United Nations Food and Agriculture Organization (FAO). The Plan was developed by international organizations, representatives of tropical and non-tropical countries, and non-governmental organizations, and provides for coordi-

nated donor support for forest planning processes in nations with tropical forests. It was established as a framework for concerted, coordinated efforts to deal with tropical forest management. Support for TFAP has been urged by various world leaders who have expressed support for efforts to reduce tropical deforestation. To date, 67 nations are at various stages in the TFAP process, and nine have completed their forestry plans and are preparing projects to be funded by participating multilateral and bilateral donors.

The attention of the Committee has been drawn to widely voiced concerns about shortcomings in the implementation of the TFAP. One particular concern is that the TFAP process is heavily balanced in favor of commercial timber extraction and forest development activities. It appears that in some countries, forest plans developed under the TFAP process include a component which would lead to major increases in timber extraction and logging, with resulting increases in deforestation that might not have occurred without the donor financial support that has been marshalled under the TFAP. Many experts argue that environmentally sound methods of tropical timber harvesting have not yet been satisfactorily developed; 40 to 70 percent of forests subjected to selective logging are ultimately destroyed both from logging damage and encroachment of farmers following logging.

The Committee therefore directs that the Secretary, in exercising his authority under this section, work to ensure that the TFAP not agree to include in country plans the logging of remaining natural forests until a management system is in place and demonstrated to be both feasible and responsive to the needs and concerns of local communities. The Committee does not intend to authorize support of TFAP processes that may increase deforestation. The Committee expects that the assistance authorized under section 1934(6) shall not be made available to FAO until the Secretary, after consultation with the Environmental Protection Agency, the Agency for International Development and the Department of State, has determined that significant progress has been made in reforming TFAP along the lines described above.

In section 1934(1) the Secretary is authorized to "support and actively participate in global and regional meetings that seek to refine such Plan [TFAP] and promote coordination among all agencies involved in its implementation." It is the intention of the Committee that refinements of the TFAP to be supported by the United States will be focused mainly on protection, conservation and sustainable development of natural tropical forests and on forestry sector development that encourages research to identify methods of timber harvesting which do not destroy forests that are selectively logged. The Secretary should assure that any forest development plan supported by TFAP donors will only be implemented using such methods.

Four goals related to deforestation's root causes should be stressed in particular. First, the TFAP planning process must meet the needs and safeguard the livelihoods of people who live in or depend on the forest.

Second, the Plan should help ensure that the remaining areas of tropical forests are used sustainably—contributing to national de-

velopment while encouraging multiple uses of forest lands and effective protection of biological diversity. This requires much more emphasis on the management of tropical forests for non-woody products (such as extractive reserves for natural rubber, oils, fruits and nuts) and non-consumptive uses (such as environmental services which may not be compatible with intensive timber management and hardwood extraction).

Third, the TFAP should mobilize resources to regenerate degraded tropical forest lands, using indigenous species to the greatest extent possible, and promote sustainable land use around tropical forest areas. Particular attention should be paid to avoiding land degradation and promoting sustainable development patterns that relieve pressure on remaining natural forests.

Fourth, the TFAP should help stimulate needed policy reforms both in tropical countries and in development assistance institutions.

Finally, it is critically important to underscore that the TFAP should not be used only as a means to increase investment in traditional forestry sector activities; rather it should concentrate on the sustainable development of forest lands and help avoid the destruction of tropical forests.

In providing this authority for active involvement in TFAP the Committee intends that USDA and the Forest Service be strong advocates of TFAP reform.

Section 1935 of the subsection recognizes the vital role of training in providing the skilled personnel necessary to deal with forest and related natural resource problems in tropical countries. Training activities would be authorized both within and outside the United States.

Under section 1935 the Secretary would be permitted to enter into partnership with training institutions in the tropical countries, and especially those that can help promote grass roots level reforestation, multiple use management and land rehabilitation activities. The Secretary could also cooperate with U.S. universities and technical schools to educate and train U.S. or international students and professionals in research and management of tropical forests. The Secretary would be authorized to manage the Caribbean National Forest in Puerto Rico as a model of quality tropical forest management and to use it as a site for research, demonstration, outreach and training. The Secretary would equally be permitted to use other Forest Service facilities and resources for the same purposes. These would include the Institute of Tropical Forestry in Puerto Rico, the Institute of Pacific Islands Forestry in Hawaii, the Forest Products Laboratory in Madison, Wisconsin. Finally, the Secretary would be permitted and encouraged to cooperate with AID in stimulating local and village level conservation, reforestation, training and education for sustainable forest management.

Section 1936 would authorize and direct the Secretary to expand the capabilities of and construct additional facilities at the combined headquarters of the Caribbean National Forest and Institute of Tropical Forestry in Puerto Rico, subject to appropriations. An expansion and construction plan would be required to be submitted to the Senate and House Agriculture Committees within one year

following enactment of this legislation. The plan shall include provisions for facilities for housing and classroom instruction for training programs, facilities for research on endangered wildlife, fish, and plant species and an interpretive center for visitors.

Forest Service land and facilities in Puerto Rico are highly attractive to professional and scientific visitors, to local residents, and off-island tourists. Yet no facilities exist to provide interpretation or education on the values of tropical forests. There is also no place available to accommodate professional and scientific visitors for study tours, training courses, or cooperative research studies that are very much in demand. Furthermore, facilities for laboratory research and as a base for field studies are limited and antiquated. This section would remedy these problems through construction of integrated training, research and visitor facilities.

As the Nation's only Federally-managed tropical rain forest, the Caribbean National Forest presents a unique opportunity for training foresters, policy makers and environmentalists from tropical countries. The Committee desires full use of this opportunity.

Section 1937 would require that the Secretary coordinate all activities outside of the United States authorized by this chapter with other Federal officials, departments, agencies and international organizations as the President might direct. This would ensure consistency with overall U.S. policy and avoid duplication of effort with other Federal agencies, international organizations and in-country organizations. In particular, the ongoing close coordination with AID, OICD, FAS and the State Department would be continued and enhanced. Current requirements to secure clearance from U.S. Embassies prior to travel of U.S. Government employees would be continued.

Section 1937(b) clarifies the type of assistance the Secretary is authorized to provide to other countries without reimbursement from such countries. Technical and financial assistance as well as equipment and facilities could be provided as the Secretary deemed appropriate. For example, assistance could include the payment of travel and related expenses of U.S. Government or other technical experts to other countries to advise on forestry and natural resource management issues. Examples of equipment that could be provided include fire fighting equipment, safety gear, planting tools, small research equipment, and interpretive signs. Financial assistance could include contributions to organizations such as FAO or to tropical country institutions for support of meetings, planning, training, demonstrations or research. Financial assistance could also be provided to pay the costs of participants from other countries to travel to the United States or elsewhere to participate in meetings or training projects. Financial grants or loans to other countries for large projects, such as those made by AID, are not contemplated by this subsection.

Section 1939 contains conforming amendments to the Forest and Rangeland Renewable Resources Research Act of 1978 (16 U.S.C. 1641 et seq.) and the Cooperative Forestry Assistance Act of 1978 (7 U.S.C. 2101 et seq.). These two acts provide, respectively, the basic authority for Forest Service research and State and private forestry programs.

Section 1939(a) adds a new congressional finding and purpose concerning the threat of deforestation to the world's forest and rangeland renewable resources. The subsection would extend the Secretary's forest and rangeland research authority beyond the United States to include other countries as the Secretary deems appropriate. It adds "international" to the description of entities with whom the Secretary may cooperate with regard to forest and rangeland research. It also requires that the Secretary, in conducting authorized forest and rangeland research activities outside the United States, coordinate with other Federal officials, departments, agencies or international organizations as the President may direct.

Section 1939(b) adds a new congressional finding recognizing that the same forest resource supply, protection and management issues which exist in the United States are also present on an international scale. It further recognizes that the forest and rangeland renewable resources of the world are threatened by deforestation due to conversion to agriculture, grazing, over-harvesting, and other causes which pose a direct threat to people, the global environment and the world economy. This subsection would expand the purpose of the act to include activities in foreign countries as well as in the United States. It would authorize the Secretary of Agriculture to extend specified types of assistance under the Cooperative Forestry Assistance Act to other countries, including assistance related to rural forestry development and management, insect and disease control and rural fire prevention and control. The Secretary would be required to coordinate these activities with other Federal officials, departments, agencies or international organizations as the President may direct.

Forestry Planning and Global Warming

By amending the Forest and Rangeland Renewable Resources Planning Act of 1974, this section mandates that the Department of Agriculture analyze and account for the potential effects of climate change on the condition of renewable resources in America's forests and rangelands.

Urban Forestry

Building on the research that shows that an urban tree is 15 times more effective than a forest tree at reducing the buildup of carbon dioxide emissions, through the "oasis effect" of cooling, this section authorizes an urban forestry energy conservation program. It authorizes educational and technical assistance efforts and accelerated demonstrations of tree planting and maintenance. States, universities and private entities are eligible to participate in the program, as are public agencies such as the Extension Service, the Forest Service, the Environmental Protection Agency and AID.

Biomass Energy Demonstration Projects

Research indicates that there is great potential to derive industrial energy needs from short-rotation silvicultural operations and from harvesting underutilized species. This section authorizes the Secretary to carry out projects with private industries, Federal and

State agencies, and other organizations to demonstrate these research results.

Forestry Planning and Global Warming

This section amends the Forest and Rangeland Renewable Resources Research Act of 1974 to provide specifically that environmental stress research include, as appropriate, consideration of weather, climate and air pollution.

Interagency Cooperation on Forestry and Climate Change

This section authorizes USDA cooperation with DOD to study reforestation of DOD lands and to manage these lands to maximize their forestry potential.

COMMITTEE CONSIDERATION

HEARINGS

FULL COMMITTEE

The Administration's Views

On April 19, 1989, the Committee held a hearing to listen to Secretary of Agriculture Clayton Yeutter discuss the administration's views of this legislation.

Chairman Leahy expressed the Committee's determination to complete the bill by the summer of 1990. He emphasized that the Committee would not wait until the conclusion of the Uruguay round of the multilateral trade negotiations to complete the farm bill. He said research, conservation and nutrition would be areas needing special attention in the 1990 bill. The Chairman said he expected the Secretary to provide the Committee with the administration's version of the legislation.

Senator Lugar pointed out that the Committee has both short- and long-term farm bills to consider. In the short term, the Committee would be obliged to come up with approximately $600 million in savings in agriculture in fiscal year 1990. While the Committee was free to take money from any of the programs under its jurisdiction, he suggested that the Committee consider USDA's "triple base" proposal. It was Senator Lugar's impression that the triple base proposal would offer farmers more planting flexibility and would affect farm income more favorably than would a reduction in target prices. Senator Lugar announced that he would be introducing a "triple base" plan on the first of May.

Rather than providing the Committee with a draft of the administration's proposal for the upcoming farm bill, Secretary Yeutter explained what he thought the 1990 legislation should accomplish. He began his testimony by citing the difficult economic environment in which the Food Security Act of 1985 was drafted. Partly as a result of the changes brought about by the 1985 Act, exports have improved, stock levels have been reduced, cash levels are up, and generally "farmers are a lot more comfortable today."

The Secretary warned the Committee that while the 1985 legislation has been generally successful, the cost of improvements contained in that legislation has become "unsustainable". He suggest-

ed that while the 1985 Act would not need many changes, some would have to be made in the interest of cutting costs. As an example, he suggested that the Committee explore ways to "target program benefits" more effectively. The Secretary said the 1990 legislation should establish more logical ways to calculate target prices.

The Secretary maintained that the Government should work to become less involved in agriculture and to offer farmers more flexibility. Another priority of the bill should be to increase exports. He also proposed that the legislation take steps toward "delinking" to reduce the links between price supports and income supports.

In response to the Chairman's statement earlier in the hearing that the Committee would not wait for the completion of the GATT negotiations to write the farm bill, the Secretary maintained that it would be unwise for the Committee to try to exclude the interests of other countries. He argued that it would be inconsistent for the United States to work to influence the farm bills of the European Community and other countries while declaring its own bill off limits. He proposed that the 1990 farm bill be written in the context of the global marketplace, thus enhancing U.S. leverage in the multilateral trade negotiations. In any case, he argued, some changes would have to be made to the farm bill after the completion of the GATT negotiations.

On the subject of risk management, the Secretary indicated that some of the current programs, such as crop insurance and disaster assistance are duplicative. In such cases, he suggested that the private sector become involved.

Regarding environmental issues, the Secretary said that increased research would be more useful than enhanced regulatory measures. Regulation in the food safety area should also be a thoughtfully researched process rather than a series of quick responses to "scare tactics." He concluded that "new conservation tools" need to be developed to supplement expensive programs such as the Conservation Reserve Program (CRP).

The Secretary noted that while there would be little money for rural development initiatives, the administration would be looking for ways to assist rural communities. He promised that the President's internal task force on rural development would issue a report with suggestions by July 1, 1989.

Finally, the Secretary addressed the issue of the Farmers Home Administration (FmHA). In addition to raising questions about loan rates and levels of program subsidies, he asked for a clear legislative mandate for a graduation schedule for Farmers Home borrowers.

On February 7, 1990, Secretary of Agriculture Clayton Yeutter appeared before the Committee again to present the administration's views on this legislation. According to the Chairman, the purpose of this hearing was to get specifics about the Administration's proposal for the farm bill (called "the Green Book") which had been released the day before. He said Congress wants to know how much the administration wants to spend on the farm bill. The Chairman was specifically interested in the administration's position on target prices. He commended the administration for proposing to maintain the provisions of the conservation title, but criticized the lack of a strong proposal on ground water protection. Con-

sensus, competitivenes, and compassion, he said, should be the themes of farm bill debate. On the Chairman's list of priorities were: a comprehensive forestry title; reform of Public Law 480; and new legislation on fish inspection.

Senator Lugar said he found much to praise in the administration's proposal. He supported the administration's proposal for increasing flexibility while maintaining a safety net through target prices.

Senator Dole asked the Secretary to specify from where in the farm bill the administration would glean the proposed $1.5 billion in savings. While he supported the principles of the 1990 farm bill, Dole singled out several areas for reform: farm credit; flexibility; crop insurance; and EEP.

Senator Kerrey said he would oppose the administration's proposal on crop insurance. He argued that the greatest problem with the program has been poor management. He expressed interest in the administration's flexibility proposal and stressed the need for simplicity in all farm programs.

Senator Conrad said he supports the administration's incentive program for conservation compliance. However, he criticized the administration for presenting a farm proposal rather than a farm bill. He said the budget proposal is too vague in that it asks for cuts, but doesn't say where they should come from. In fact, he said the proposed freeze in target prices would cause a 40 percent drop in farm income. And in North Dakota, the proposals to drop crop insurance would be disastrous because of drought.

Senator Fowler criticized the administration for providing insufficient leadership, specifically on CRP expansion and ground water legislation.

Senator Bond said he supports the administration proposal on flexibility, but called for more than flexibility for soybeans. He also supported the elimination of the Federal Crop Insurance Commission; he argued that private interests should assume that burden. He was also generally supportive of the administration's CRP proposal.

Senator Daschle called for additional funding for research through formula funding. He criticized the administration proposal for being too vague because it takes no position on target prices. He said he would oppose any proposals for decoupling. He also objected to the administration's stocks management proposal.

Senator Boschwitz said he supports the administration's flexibility proposal, but he also called for specific target prices. He approved of the proposed changes to EEP and supported the sliding scale support adjustment for dairy. Senator Boschwitz also presented a proposal giving farmers storage payments at commercial rat.

Senator Cochran said the administration proposal would be a good basis from which the Committee could work. He especially approved of the administration's emphasis on a market based agricultural industry.

Senator Gorton said the flexibility program should be more sensitive to farmers who can only plant one crop. He also objected to the elimination of crop insurance.

Senator Heflin criticized the administration for calling for an end to the Crop Insurance Program without budgeting for an alternative.

Secretary Yeutter said the administration does have draft language to accompany the "Green Book" proposal for the farm bill, although the language does not include target prices. He said he considers the 1990 proposals modifications of the 1985 Act which focus on improving the administration of current programs by reducing micromanagement practices at USDA.

He defended the flexibility proposal, arguing that it does not call for decoupling. Under his plan, support levels would be changed year to year based on market conditions. The plan is based on changes in the handling of the acreage reduction program (ARP) and implementation of the normal crop acreage approach. He said it works toward leveling the playing field for oilseeds while reducing the emphasizes on feed grains. In terms of stock management, the proposal bases ARP levels on a stocks-to-use ratio and redesigns the current farmer owned reserves program to make it more market responsive. On the subject of disaster assistance, he said the Committee would have to choose between permanent disaster assistance or mandatory crop insurance. He said it would be impossible to continue with both, as the current system demands.

The Secretary defended the "Green Book" proposals as the "most environmentally sensitive to come out of the administration." He said it has much in common with proposals from the environmental communities. His plan encompasses: a multiyear set-aside proposal requiring farmers to put half of their set-aside in cover crops, with the Government sharing the cost of permanent cover on set-asides; a plan to target CRP land at environmentally sensitive areas while maintaining it at $40; a strategy for wetlands restoration; and changes in conservation reserve contracts.

He said other objectives of the administration's proposal include: "tightening up" the administration of food stamps with more severe penalties for abusers; expanding EEP; requiring mandatory testing for aflatoxin in grain; and taking steps to reduce writeoffs in FmHA. The administration has no specific recommendations on the Food for Peace program.

The Secretary said the administration is budgeting $10.2 billion for agriculture for fiscal year 1991. He said the administration wants to work with Congress and the Office of Management and Budget (OMB) to set specific target prices.

Reform of Public Law 480

On November 7, 1989, the Committee met to discuss reform of Public Law 480, the "Food for Peace" program. According to the Chairman, the program needs to be made more responsive to the needs of a world which is more debt-ridden than it was 50 years ago. He said lines of authority within AID and USDA need to be more clearly defined in the program and the role of private voluntary organizations (PVO's) should be clarified. Most importantly, the program should be made a more effective tool for world food security.

Anne Veneman, Deputy Under Secretary of International Affairs and Commodity Programs at USDA said that while the administra-

tion does not have a complete proposal for the reform of Public Law 480, she could offer the Committee some sense of USDA's intentions. USDA's objectives include: directing Public Law 480 aid at countries with promising import potential; broadening the range of eligible agricultural commodities; reducing restrictions of the program; and adding flexibility on loan or grant terms.

Philip Christenson, Assistant Administrator of the Bureau for Food Peace and Voluntary Assistance at the Agency for International Development said that in addition to improving the relationship between Public Law 480 and PVO's, the reformed legislation should: alter the levels of concessionality; bring the program into synch with U.S. domestic and foreign economic reform policies; make distribution more efficient; and consolidate administrative authority over the program.

It was Senator Conrad's concern that the objective of the Public Law 480 in developing potential markets is defeated when the U.S. exports low quality grain under the program. USDA said that the Federal Grain Inspection Service (FGIS) inspects all shipments. Senator Bond questioned the efficacy of providing food under long-term concessional loans when there is little chance of repayment.

Former Senator John Melcher testified that the Food for Peace program has achieved many of its goals and recommended ways to reduce costs by cutting red tape. He also proposed changes to title I.

Ron Gollehon, president of Agriculture Cooperative Development International stressed the importance of using Public Law 480 commodities to develop the private sector in recipient countries. Currently, the commodities go primarily to governmental or parastatal firms responsible for receiving, storing, transporting, marketing and distributing them. This existing system reinforces public sector control rather than enhancing the strength of the private sector.

John Donnelly, Project Resource Manager of Catholic Relief Service said that the funds available for PVO's for managing title II programs are inadequate. He added that the management restrictions on PVO's prevent them from working effectively. He called for a revision of the current administrative restrictions to allow for different ways of managing programs.

Peggy Sheehan, Co-Chair of the Coalition for Food Aid said her organization supports the following: continuation of monetization policies; elimination of the annual reviews of multiyear programs; and elimination of the docket requirement in title II. She also called for improvements in the management of the program (increasing staffing, streamlining the Development Coordination Committee, and clarifying audit guidelines).

Owen Cylke, Senior Deputy Assistant Administrator at the Agency for International Development's Bureau for Food for Peace and Voluntary Assistance focused on Public Law 480's effectiveness in Africa. He recommended raising the monetization level and making changes to title II which would encourage proposals from Africa, where feeding programs are extremely expensive to administer. More broadly, he recommended that food aid programs be targeted toward food deficit countries in the interest of food security while the market development focus of the program should be targeted at countries with real trade potential.

Daniel Shaughnessey, president of the Export Processing Industry Coalition said that the greatest problems with the current program are administrative. One solution, he said, would be to make the program more flexible.

Steven McCoy, president of the North American Export Grain Association said that title I is struggling because it tries to satisfy too many contradictory policy objectives. He argued that it would be more successful if it were focused fully on market development and administered by USDA. He recommended better coordination with other marketing programs. McCoy also called for multiyear programming.

Ground Water

On January 25, 1990, the Committee held a hearing on the impact of agriculture on ground water. Testifying were Clayton Yeutter, Secretary of the U.S. Department of Agriculture and William Reilly, Administrator of the Environmental Protection Agency.

The Chairman accused the administration of negligence in responding to the ground water crisis. He emphasized the need to develop comprehensive legislation to stem the flow of poisonous chemicals into ground water. He said that such legislation could no longer be delayed by claims of insufficient information.

Although all Senators expressed concern about the ground water issue and many confirmed the Chairman's call for immediate legislation, they had concerns about the effect of such legislation on the farm community. Senators Lugar, Kerrey, Daschle, and Bond emphasized research and education as a means to prevent contamination. Senator Daschle was also critical of the lack of coordination between USDA and EPA. Senator Boschwitz warned the Committee that without sufficient information about ground water contamination, the Committee could make the mistake of writing legislation which would undermine the value of farmland. Senator Kerrey offered Nebraska's system of Resource Districts as a model for a national program. Senator Harkin said that areas where contamination is already causing serious health hazards should receive the immediate attention of the Committee.

Secretary Yeutter defended the level of communication between EPA and USDA. At USDA, the ground water issue is the responsibility of the Assistant Secretary for Science and Education, who is directing the efforts of a ground water working group. This working group, he said, works closely with EPA.

The Secretary maintained that the best way to stem ground water contamination is to keep farmers informed. Farmers can then make knowledgable decisions based on economic as well as health considerations. However, he argued that USDA currently does not have sufficient information to help farmers make sound decisions 100 percent of the time. The resources are there, according to the Secretary, but time for research and education is needed. He argued that in certain circumstances regulations were needed.

The Secretary warned the Committee about writing legislating to restrict the heavy use of pesticides on one hand while creating subsidy programs which encourage heavy production on the other. He said the fact that the Department has tripled its budget for envi-

ronmental concerns in the last 3 years proves USDA's commitment to these concerns. USDA is currently spending $155 million on water quality initiatives, according to the Secretary.

William Reilly admitted that previous efforts at managing ground water have been "fitful, episodic and driven by crisis." However, he said there has been great progress since EPA developed its ground water strategy in 1984. Currently, EPA is reviewing new and already registered pesticides for their impact on ground water contamination. The Agency is also planning to propose a restricted use rule based on a chemical's potential to contaminate. EPA is also conducting a national survey to test levels of contaminants and their connection with agricultural practice. EPA's current data base shows that ground water is contaminated in many areas, but few aquifers are contaminated.

Reilly argued that EPA is already doing cleanup work under several laws. However, he felt that the current focus on cleanup has been at the cost of prevention efforts. He recommended that the Committee review proposals of the Ground Water Policy Forum and a 1988 report by a coalition of government organizations. He said that while each holds a different view of the appropriate level of government involvement, Reilly subscribed to the emphasis of both studies on prevention rather than cleanup. With the understanding that all ground water cannot be protected, EPA's program is based on pollution prevention and stresses State involvement in management. Reilly said that EPA provides direction to States through technical assistance. He insisted that States must be heavily involved because the characteristics of ground water change from State to State. Reilly said he is not convinced that legislation beyond current authorities is needed; he suggested that EPA may just need to manage current programs more effectively.

Senator Leahy criticized Secretary Yeutter for showing weak leadership on the ground water issue. He also complained that EPA has been researching ground water for 10 years but has shown little action. He challenged Reilly's emphasis on State responsibility, saying that many States have not been active at all and can not be depended on to become voluntarily involved. He placed partial blame for the slow progress on ground water protection on the fact that responsibility is too thinly spread between EPA and USDA.

Given EPA's premise that all ground water cannot be protected, Senator Lugar asked Reilly to explain the Agency's priorities. Reilly said that clean drinking water and aquifers are at the top of the EPA priority list. Senator Lugar was also concerned about what EPA has been doing to involve States that are not doing anything. He pointed out that States have traditionally reserved their jurisdiction over water rights. Reilly said EPA's strategy is to provide incentives, including resources for development of management plans.

Trade

On February 21, 1990, the Committee held a hearing on the trade title of farm bill. Chairman Leahy said that given the importance of marketing U.S. agricultural products, the U.S. spends a minimal amount on trade programs. Reform of the current legisla-

tion should include: targeting programs toward the most promising markets; ensuring a high quality, consistently dependable supply of products; integrating current programs and improving the administration of them. He said the success of the program is based on healthy farm income and recommended that the administration be more forthcoming about the extent to which it is willing to support farm income.

Senator Lugar said EEP should be made more responsive to unfair trading practices on the part of the European Community. He also expressed his concern that poor management is causing the current program to suffer.

Dr. Richard Crowder, Under Secretary for International Affairs and Commodity Programs at USDA discussed the impact of the European Community's changing role in world trade. He said that agriculture exports had bottomed out in 1986, but have been rising ever since. GATT and the 1990 farm bill will determine whether it continues, he added. In this context, the 1990 farm bill should establish more market oriented farm programs and expand the export programs. He said the administration proposal would accomplish those goals.

In terms of improving the management of current programs Secretary Crowder said that Office of the Inspector General (OIG) and the General Accounting Office (GAO) have made recommendations and USDA has responded to most of them. He said the plan is to continue EEP without mandated program levels or commodity program requirements. He said the administration was proposing that Congress eliminate the ceiling on EEP programs. He also recommended the continuation of TEA, CCC, and the Food Security Wheat Reserve. He promised a specific proposal on the Public Law 480 program.

Senator Leahy asked why the Committee has not been kept abreast of allegations of bank fraud on the part of Banca Nationale de Lavoro which holds CCC guaranteed loans made to Iraq. He wanted to know why the Committee was not informed immediately when Iraq's credit line was cut off because of missed payments. Crowder responded that the fraud allegations had stemmed from a problem with the "technical transfer of funds" which the administration had handled in a "routine" way. Within 2 days, he said, payment was made and the line of credit was reestablished.

Senator Leahy said he was concerned about the integrity of USDA guaranteed loans. Has USDA been authorizing large loans to a country which is a poor credit risk? He was also concerned about rumors of improper diversion of funds in Iraq. Secretary Crowder answered that with the exception of a few "technical transfer issues" Iraq has an "excellent" repayment record.

Senator Lugar asked Crowder to respond to allegations in a GAO report that the EEP has been focusing on the EC at the expense of other potential markets. Crowder maintained that EEP has been an effective trade tool in the multilateral negotiations. Like Senator Leahy, he worried that USDA is continuing to make generous loans to countries that are not making their current payments.

Senator Kerrey said USDA's stocks-to-usage plan for stock management is not working, because farmers are not benefiting from it.

He said USDA has not been using allocated funds effectively in the program, which makes it hard to justify increased funding.

Allan Mendelowitz, Director of Trade, Energy and Finance issues at GAO's National Affairs Division discussed GAO's investigation into Iraq's payment problem with Banca Nationale de Lavoro. He said that while GAO found no evidence of fraud, he did think it possible that banks have been making unauthorized loans with CCC guaranteed money because of poor management practices. He pointed out that there is no self-checking mechanism in the current loan system.

Regarding TEA, Mendelowitz added that the program has not been totally successful at countering unfair trade practices; in this sense, TEA acts more as a subsidy to commodities that suffer from unfair practices.

Carol Brookins, editor and publisher of "World Perspectives" urged the Committee to focus agriculture trade programs on the developing world, which has the greatest potential for increasing U.S. exports. She also said market development programs need to be restructured to create consistency across the programs. She encouraged multiyear programming and concluded that if the United States can overcome protectionism and look past the short-term inability of some countries to make their loan payments, developing countries could become a source of invaluable markets.

Nutrition

On February 27, 1990, the full Committee met to hear testimony on the issue of hunger in America. The Chairman pointed out that hunger is not a political, but a moral issue. To combat hunger in this country, the chairman introduced the Mickey Leland Memorial Domestic Hunger Relief Act and Senators Sasser and Domenici introduced a second hunger relief bill. Senator Lugar stressed the importance of focusing the Committee's attention on expiring food aid programs: the Food Stamp Program; the Temporary Emergency Food Assistance Program; and the Commodity Supplemental Food Program.

Robert Greenstein, Director of the Center on Budget and Policy Priorities said the poverty rate in 1988 was greater than any year in the 1970's. He said the rate of poverty among children is rising and the rate of people living below the poverty line has risen more than 50 percent since the late seventies. The rising number of hungry is exacerbated by rising housing costs and decreasing Federal housing assistance.

The Center on Budget and Policy Priorities proposals are contained in Leland and Domenici-Sasser bills. Greenstein's specific recommendations included: increasing housing costs deductions; adjusting in the basic food stamp level; strengthening provisions to extract payments from absent fathers; adjusting the limit on automobiles; and simplifying eligibility standards for households. He suggested that other food assistance programs should also be extended, although TEFAP is in the least need of expansion.

Tim Grace, State Director of the Food Stamp Program at the Illinois Department of Public Aid testified on behalf of the American Public Welfare Association. His organization's proposals were similar to those of the Center on Budget and Policy Priorities. He also

recommended: adjusting the food stamp benefit costs to reflect actual Thrifty Food Plan costs; developing a program for restaurant meals for the homeless; adjusting benefit levels for families with student benefits and grants; including participation for Puerto Rico; continuing TEFAP; and providing consistency between the Food Stamp Program and AFDC programs. His proposal included specific recommendations for improving the administration of food stamps and AFDC.

Ellen Haas, executive director of Public Voice for Food and Health Policy presented the results of her organization's research into rural poverty. Public Voice's study shows that USDA's formula for assessing the costs of a minimally adequate diet (the Thrifty Food Plan) is in serious error. The plan does not include important factors such as accessibility to less expensive supermarkets. Ellen Haas also recommended ways to improve program participation in food stamps.

The second panel focused on school lunch programs across the country. Testifying were: Beverly Lowe, president of the American School Food Service Association and Director of School Food Services in New Hartford, New York; Ann Gennings, president-elect of the American School Food Service Association and Director of Child Nutrition in Columbia, South Carolina; Jo Busha, ASFSA Member and Director of Child Nutrition in Montpelier, Vermont; Marshall Matz, ASFSA Legislative Counsel; and Charles Hughes, Chairperson of the AFSME School Advisory Committee, New York, New York. There was consensus among these witnesses that the administration's proposed cut in the School Lunch Program, in addition to the projected $300 million loss in bonus commodities would strike a serious blow to the School Lunch Program. Each witness emphasized the correlation between poor nutrition and poor academic performance in school children.

On April 18, 1990, the Committee heard testimony from Catherine Bertini, Assistant Secretary for Food and Consumer Services at USDA and Robert Fersh, executive director of the Food Research Action Committee on the proposed nutrition title of the 1990 farm bill. The USDA proposals included: reauthorization of TEFAP at $170 million; steps to improve the integrity of the Food Stamp Program; improved child support enforcement; increased assistance through nonprofit agencies to help the homeless; changes in the appropriations language to provide the Secretary with "such sums as may be necessary to fully fund the Food Stamp Program"; and reauthorization of the Commodity Supplemental Food Program with some changes.

Robert Fersh offered his organization's support for the Mickey Leland Hunger Assistance Act that was introduced by the Chairman at the February 27 hearing on nutrition. He described the results of his organization's study entitled "The Community Childhood Hunger Identification Project." The study confirmed the rising number of children among the hungry, and proved that these children have significantly more health problems than do well-fed children. He supported the removal of the shelter deduction cap in the Leland bill. He also applauded the administration's proposal to remove a spending ceiling on the program.

Dairy

On March 7, 1990, the Committee met to discuss the dairy program. Chairman Leahy challenged the administration's proposed cuts to the dairy program. It was the Committee's purpose, he said to maintain dairy farm income while responding to market needs and remaining within budget constraints. Senator Kohl from Wisconsin agreed that the administration's proposal for the dairy title would not maintain farm income. He recommended the adoption of his dairy bill S. 1776, which uses price support as a means of maintaining price stability. His bill also provides a standby supply management program for when CCC purchases exceed 4 percent of total commercial use. He and Senator Boschwitz urged the administration to address the issue of milk marketing orders.

Dr. Bruce Gardner, Assistant Secretary for Economics at USDA presented the administration's proposal for the dairy title. He said the purpose of the proposal is to stabilize the market at a floor price minimally acceptable to producers without heavy Government involvement. Specifically, USDA's proposal includes: giving the Secretary discretionary authority to adjust support prices within a range of 25 cents; making technical changes to the marketing orders; and terminating the dairy export enhancement program. Dr. Gardner said the Secretary is concerned that unless States work to reduce regionalism in the industry, both dairy farmers and consumers will be hurt. He added that the Secretary is considering holding hearings to receive industry proposals on Class I price differentials between orders and the regulation of reconstituted milk.

The Chairman accused the administration of not being forthcoming with specific dairy support price projections for the farm bill. Dr. Gardner argued that price would be determined annually based on market conditions. The Chairman expressed concern that under the administration proposal, the price support level could fall under $8 per hundredweight. Senator Boschwitz supported the administration's reluctance to provide specific support levels. He argued further that an effective marketing program would be much more successful than any efforts to control milk supplies.

The first panel consisted of the following representatives of milk producers: Tom Camerlo, president of the National Milk Producers Federation; Carl Peterson, vice chairman of AgriMark; Irvin Elkin, president of Associated Milk Producers; Ray Moss Tucker, president of Dairymen, Inc.; and Jim Lefebvre, secretary, Mid America Dairymen, Inc.

There was consensus among the panel that the administration of the dairy program is partly responsible for the recent instability in the market. They also complained that the wide variations between the support and retail price of milk affects both producers and processors. They asked that USDA use the support price as a floor rather than a price generator.

Given that the dairy industry continues to be plagued by structural instability, Tom Camerlo recommended that the 1990 title maintain the price support level at $10.60 per hundredweight for 1991 through 1995 and implement the "CAP" program to discourage production of excess milkfat on farms. If the total milk solids

basis is projected to exceed 6 percent, Mr. Camerlo recommends the implementation of either a two-tier price program on all milk, a uniform herd buyout program or a milk diversion program.

Irvin Elkin testified that production management is the most reliable way to maintain price stability. He called for a continuation of the current program with provisions to balance the distortions caused by the milkfat surplus.

Ray Moss Tucker called for continuation of the current program with following the improvements: price support should be adjusted 5 percent or 50 cents a year; CCC purchases should be converted using total solids rather than on milkfat basis; and the Secretary should have authority to implement temporary production adjustment programs. He supported the continuation of Federal orders and opposed the Nation Milk Producers Federation's CAP program.

Carl Peterson said his organization supports the Federation's position, but prefers the whole herd buyout option rather than the quota program. Jim Lefebvre also supported the Federation program with some exceptions.

The second panel consisted of the following milk users: Linwood Tipton, president of the International Dairy Foods Association; Floyd Gaibler, executive director of the Butter and Cheese Institute; Richard O'Connell, president of the Chocolate Manufacturers Association and the National Confectioners Association; and Mark Goldman, president of Farmland Dairies.

The majority of the users said they expect upcoming technological improvements (with or without the approval of bovine somatotropin, bST) to reduce the cost of production and lower prices. They are also expecting consumption increases. They maintained that in order to be successful, the dairy industry needs to increase promotion and keep prices low. Specifically, the user community called for legislation that would: lower prices when surpluses rise; adjust the relative values of all milk solids in times of imbalance; and provide the Secretary with discretionary authority in cases of excessive surpluses. They opposed any kind of production controls.

Although there was a general consensus among the users, some differed on specific points. Richard O'Connell opposed the producer plan to abandon the use of a price support mechanism. He was also against quota approach to controlling supply. Mark Goldman worried about increasing the industry's dependence on manufactured products rather than fluid milk, which brings farmers a higher price. He called for a processor-generic promotion fund for fluid milk to raise Class I consumption.

Views of the General Public on the 1990 Farm Bill

On March 21, 1990, the full Committee met to hear the general public's views on the 1990 farm bill. The Chairman said that the Committee is developing the 1990 farm bill around the framework of the 1985 Act. He said he expected a consensus on commodity issues as well as on a broad array of issues including conservation, farm credit, forestry, food safety, ground water, and organic farming.

Madeline Kunin, Governor of the State of Vermont said that the 1990 farm bill would be a factor in determining whether Vermont will retain its rural character. Without a supportive dairy program,

Vermont's economy which is 90 percent dairy would be forced to undergo radical changes.

The Reverend John McRaith, Bishop of Owensboro, Kentucky, testifying for the United States Catholic Conference said the 1990 farm bill should be a comprehensive food policy that is environmentally sound and responsive to the social health of rural communities. His recommendations included: promoting environmental stewardship; adopting a recordkeeping provision for farmers using pesticides; developing trade programs consistent with food security objectives; and enhancing hunger relief programs.

Jim Hightower, Commissioner of the Texas State Commission of Agriculture said fine tuning of the Food Security Act of 1985 is insufficient. He offered a proposal to counter the administration's flexibility program, which he called a "good bye and good luck" program. He added that the 1990 farm bill should contain more aggressive incentives for farmers to adopt alternative agriculture practices. He argued that alternative agriculture has proven to be economically viable in Texas and could be made profitable nationally.

Leland Swenson, president of the National Farmers Union, made recommendations directed at maintaining farmer income, restricting the Secretary's authority to reduce target prices and loan rates, continuing target and loan support programs, limiting flexibility, establishing multi-year set-asides and repealing the Findley amendment.

Eugene Paul, special assistant to the president of the National Farmers Organization, offered a series of changes to the dairy program to ensure price stability. With respect to the grain industry, he rejected decoupling of nonrecourse loans. His recommendations also included: elimination of the Findley amendment; adoption of a free stock policy proposal; resetting loan rates based on dollar value of exports; and a mandate for public announcement of projected world prices by the Secretary.

Harvey Joe Sanner, national president of the American Agriculture Movement, opposed the administration's plan. Specifically, he called for equity for soybean farmers.

Dean Kleckner, president of the American Farm Bureau Federation, recommended the following: implementing limited flexibility, tying loan rates to a percentage of the average over the past years, continuing the Findley amendment, maintaining target prices; implementing voluntary production adjustments; and eliminating targeting of payment eligibility. Regarding the dairy title, he said the CCC should calculate dairy purchase on total milk solids. He supported the target price concept for soybeans and offered several changes to the conservation title.

Helen Waller, chair of the agriculture policy committee of the National Family Farm Coalition, called for a bushel based production management program for grain. She said the program should supply a floor under world grain prices. Waller encouraged legislation to promote alternative agriculture practices and proposed a dairy program similar to the American Farm Bureau Federation's proposal.

Leroy Watson, legislative representative of the National Grange, was most adamant about eliminating direct support payments for

the country's largest and wealthiest farmers. He argued that the 1990 bill should be focused on keeping smaller farmers in business.

Elaine Stuhr, national president of Women Involved in Farm Economics (WIFE), said her organization supports the following: an escalator clause tying loan and target prices to cost of production; the elimination of the Findley amendment; limited flexibility without decoupling; enhancement of grain quality standards; improved administration of crop insurance; elimination of price disparity with sorghum; and equalized storage rates on CCC owned grain. WIFE also proposed language to eliminate discrimination against women in agriculture.

John Block, president of the National American Wholesale Grocers' Association, offered recommendations which included: reduction of loan rates to bring them in line with market conditions; increased flexibility; elimination of supply management programs; linkage of dairy support levels to stocks; basing CCC purchases on total milk solids; elimination of crop insurance; and improvement of the food stamp program. He also called for national uniform standards for pesticide tolerance.

Wayne Boutwell, president of the National Council of Farmer Cooperatives, called for no fundamental changes in the 1985 Act. He called for a solution to the corn-soybean problem which involves implementation of a marketing loan with a support level consistent with other commodities. He recommended that crop insurance be combined with disaster assistance. He concurred with the Wholesale Grocers' Association on pesticide regulations.

Stuart Hardy, manager of food and agriculture policy at the U.S. Chamber of Commerce, recommended continuation of the current program with limited changes: elimination or capping of ARP's; limited flexibility; greater market access to farmer owned stocks; redirection of Public Law 480; and enhanced environmental provisions through redirection of CRP land and permanent easements.

William G. Lesher, representing the Agricultural Policy Working Group, presented the results of the working group's study on agricultural policy. Generally, he concluded that current policy has been working effectively, with the exception of flexibility and environmental considerations. Like most other witnesses, he recommended a version of the implementation of the Lugar/Leahy flexibility proposal. He argued that the CRP should be maintained at 40 or 45 million acres and ARP should be eliminated.

John McClung, vice president of government relations at the United Fresh Fruit and Vegetable Association, addressed environmental, food safety and research and international trade matters in his testimony. He asked for a minor use registration support program and called for a feasibility study for a general research and promotion order for fruits and vegetables. His association would also prefer that food safety and farm bill legislation be kept separate.

Elmer Hillesland, member of the agriculture committee of the Grand Forks Chamber of Commerce in Grand Forks, North Dakota, made recommendations for improvements to legislation for program and nonprogram crops. His recommendations ranged from flexibility to loan rates to trade to the inclusion of barley as a subtitle in the feed grains title.

The Pesticide Reform Act of 1990

On March 28, 1990, the Committee met to discuss the inclusion of pesticide export legislation in the 1990 farm bill. Under consideration was Senator Leahy's proposed "Pesticide Reform Act of 1990" (S. 2227). The purpose of the Chairman's legislation is to prevent U.S. chemical companies from dumping overseas pesticides which EPA considers unsafe. The Chairman stated that these chemicals have been returning to the United States in the form of residues on imported fruits and vegetables, creating a "circle of poison." He emphasized that this legislation would effectively level the playing field for American farmers by discouraging foreign farmers from using pesticides which are banned in the United States.

Senator Gore from Tennessee, Senator Wilson from California, Congressman Mike Synar from Oklahoma and Congressman Leon Panetta from California appeared before the Committee to voice their support for the legislation.

Linda Fisher, Assistant Administrator for the Office of Pesticides and Toxic Substances at EPA testified that while EPA does not support the Chairman's legislation as introduced, the Agency does believe that current FIFRA legislation needs to be strengthened to address growing concerns about international trade in banned and severely restricted pesticides. She explained that a comprehensive global strategy for pesticide trade, rather than a unilateral export control program, is needed. She stated that EPA has been implementing a plan which makes some changes to FIFRA section 17 policy, including steps to improve management and expansion of technical assistance to address international pesticide trade issues. She also described other steps that EPA is taking in conjunction with FAO and other international agencies to improve communication of pesticide information between countries.

The Chairman questioned the effectiveness of EPA's strategy, arguing that the Agency does not have sufficient authority to prevent the export of unregistered pesticides. Administrator Fisher agreed that the current system of export controls is inadequate and that the EPA should have the authority to prohibit the export of a pesticide which a foreign country does not wish to import.

Mercedes Bolanos, Director of the Plant Protection Program at Ecuador's Ministry of Agriculture explained how the Chairman's legislation would benefit Ecuador. She explained that because Ecuador's pesticide regulatory system is inconsistent and unreliable, U.S. legislation banning the export of unregistered pesticides would help to protect the health of consumers in Ecuador. She stressed her country's need for comprehensive information from the United States on both U.S. registered and unregistered pesticides.

Frank Bouis, president of the Florida Fruit and Vegetable Association said his organization supports S. 2227's provisions relating to leveling the playing field for domestic farmers and enhancing pesticide information sharing between countries. He voiced his support for a Federal country of origin labeling program which he believes would be most effective in dealing with the "circle of poison" by giving consumers the opportunity to choose between domestic and foreign-grown produce.

Jay Vroom, president of the National Agricultural Chemicals Association argued that, with some improvements, current law is sufficient to achieve the goals of S. 2227. Further, he argued that the regulatory paperwork and delays caused by the bill would drive much agricultural research and production overseas.

William McNichol, representing a coalition of environmental, consumer, agricultural, and religious organizations, spoke in support of the bill. He stated that EPA has not lived up to its own promise to revoke food tolerances for a pesticide whenever the food-use registrations of the pesticide are cancelled, citing the Agency's delay in revoking heptachlor tolerances as an example of Agency inaction. Further, he argued that the bill would provide an impetus for other countries to take similar actions to control international trade of hazardous pesticides.

FULL COMMITTEE: FIELD HEARINGS

Beginning on April 24, 1989, members of the Committee held a series of field hearings in the southern States to hear testimony on the upcoming farm bill from producers and users in the southern States. In Snowdoun, Alabama members heard testimony on livestock, crop and rural development issues. Congressman William Dickinson asked that no changes be made in the peanuts program. In a written statement, Senator Shelby encouraged the Committee to move toward fair trade within the global market place and expressed his interest in the Committee's rural development initiatives. Congressman Claude Harris asked the Committee to increase flexibility and continue the peanut and soybean programs. Commissioner of the Alabama Department of Agriculture and Industries Albert McDonald called for more farmer input into administering pesticide residue programs. He also asked for continued support for the brucellosis eradication program in Alabama.

Bill Johnson, of the Alabama Cattlemen's Association said that while the cattle industry should remain unsupported, the farm bill should include long-term financing and continued support of animal health programs.

Michael K. Eckman, from Auburn University asked for market generated prices for grain, which accounts for 70 to 80 percent of poultry costs.

Jimmy Elliot, a catfish fingerling producer asked for an aquaculture title in the 1990 farm bill.

Hoyt Adair, a hog farmer, called for the elimination of Canadian subsidies in the pork industry; he said he cannot compete in the current market because of inequalities caused by Canadian subsidies. He also called for more disaster assistance for livestock producers because the current allocations are unfair.

James Cook, a dairy farmer asked for a continuation of price support programs for milk and the Federal milk marketing order system. Specifically, he recommended adoption of the class 1 quota system. He also asked for Federal guidance on pesticide issues.

James Sanford, a cotton farmer asked for: increased funding for research and promotion provisions for cotton; adjustments in average world price formula for cotton; and continuation of the CCC.

Robert S. Weil a cotton merchant called for the abandonment of the current marketing loan approach.

Don Wambles, a peanut farmer, called for the continuation of the peanut program without alteration.

Bob Spratling, Jr., a soybean farmer approved of the current soybean title, but offered suggestions regarding sound environmental practices, the Foreign Agriculture Service, acreage flexibility, double cropping and the soybean loan.

Steve Dunn, a feed grain, soybean and dairy farmer asked the Committee to maintain income protection provisions, and to ensure that program announcements are made earlier and payments are made promptly. He also called for increased support for research and simplified program directives.

Other issues raised by witnesses included: complaints that the CRP is not working because farmers need more incentives; a call for standardization for organic foods; and requests that rural development policies should be developed in conjunction with farm policy. Farmers also pointed to a need for programs to help farmers to diversify and to assist non-farmers in other rural jobs. They also called for the continuation of the Rural Electrification Administration and a strengthening of agricultural weather programs.

At the April 24, 1989, hearing in Cleveland, Mississippi, witnesses included: Woods Eastland, president of Staplecotton; Rex Morgan, chairman of the Mississippi Delegation to the U.S. Rice Producers Legislative Group; Ed Hester, former president of the Mississippi Soybean Association; Johnson Seymour, representing the catfish industry; Steve Corbitt, executive vice president, the Mississippi Forestry Association; Verner G. Hurt, director of the Mississippi Agricultural and Forestry Experiment Station at Mississippi State University.

Mississippi witnesses asked that marketing loans not be reduced. Witnesses also called for fair trade practices, increased flexibility, fish inspection legislation and development of alternative land uses.

Witnesses testifying at the April 25 hearing in Marion, Arkansas, were: Mary Ann Arnold, a cotton producer and ginner; Joe Rennicke, a rice producer; Bryan Moery, president of the Arkansas Soybean Association; Milton Thomas, president of the Arkansas Farmers Union; David Hillman, member of the Arkansas Farm Bureau Federation; Butch Calhoun, a rice and soybean farmer; and Ted McNulty, representing the Arkansas Catfish Farmers.

Witnesses raised the following issues:

—fair trade provisions for cotton and rice;
—maintenance of the eighteen month loan;
—expansion of export and market development programs;
—continuation of the rice title;
—increased flexibility for rice farmers;
—continuation of the EEP for rice and wheat;
—calls for strengthening of the TEA program;
—expansion of CRP eligibility;
—criticism of decoupling;
—requests for parity for the soybean program;
—calls for ground water legislation and increased funding for agriculture research.

Witnesses testifying at the April 25 hearing in Platte City, Missouri, were: Charles Kruse, director of agriculture at the Missouri Department of Agriculture; Edward Nierman, representing Mid-America Dairymen, Inc; Harold Clark; Blake Hurst, a soybean and corn farmer; Ron Macher, director of the Missouri Alternatives Center of Alternative Agricultural Enterprises; Russell Mills, state conservationist at the Soil Conservation Service; Byron Frank; and Tom Effertz.

Witnesses testified about the following issues:

—the need for early program announcements;
—the complexity of program regulations;
—USDA's butterfat nearsightedness in planning to cut dairy support prices;
—alternative agriculture practices;
—flexibility.

The majority of witnesses said they prefer crop insurance to disaster assistance. They were also looking for meaningful soil conservation legislation and called for increased funding for research.

At a hearing on August 17, 1989, in Des Moines, Iowa, the following witnesses offered testimony: Dale Cochran, Iowa Secretary of Agriculture; Neil Harl, department of economics at Iowa State University; Tom Grau, a corn and soybean farmer; Richard Thompson, a farmer; David Funke, a farmer; Hans Goeppinger, a farmer; Craig Hill, a grain and livestock producer; and Judd Kruse an attorney and financial consultant.

Witnesses agreed that the Federal government must continue to subsidize farmers as long as other countries continued to do so. Witnesses also asked the Committee to consider:

—increasing flexibility;
—restructuring crop insurance;
—supporting rural development;
—maintaining the CRP;
—developing water quality legislation;
—increasing research funding;
—improving the administration of the Agriculture Credit Act.

On September 11, 1989, the Committee held a hearing in Montpelier, Vermont to hear testimony on dairy, environment and conservation issues. Secretary of Agriculture Clayton Yeutter offered the administration's views.

Senator Leahy noted that the Vermont hearing would focus on three issues: Vermont dairy farms, food safety and the environment. On the subject of maintaining dairy farms in Vermont, Senator Leahy said the dairy title of the farm bill ought to contain both price and supply management provisions. Regarding the growth hormone bovine somatotropin (bST), Senator Leahy said he had directed FDA to withhold approval of the product until more thorough testing is done.

Kim Harvey, a dairyman from Florence, Vermont asked the Committee to refrain from reducing dairy support prices in the 1990 farm bill. Currently, he argued, there is no milk surplus and reducing price supports would do nothing to help control supply. He also suggested that the current method for calculating Commodity Credit Corporation (CCC) purchases does not reflect market

conditions; on the contrary, the market suggests that the present price support levels ought to be raised.

Tim Bryant, director of the Eastern Milk Producers Association said that while his association opposes a reduction in milk support prices, EMPA does support some form of supply management.

Anthony Pollina, executive director of Rural Vermont said his organization supports a two-tier pricing program, with the first tier beginning at $16 per hundredweight. His organization also opposed bST because of economic and health concerns. On the subject of the GATT negotiations, he felt that the interests of farmers has not been sufficiently represented. Specifically, Mr. Pollina objected to the U.S. Trade Representative's proposal to eliminate all domestic and foreign farm subsidy programs.

Nancy Thomas, a member of the Cabot Farmers Cooperative Creamery argued that in order to accurately calculate the amount of dairy surplus, milk volume should be calculated on a total milk solids basis. She also asked that in developing food and farm policy in the upcoming farm bill, the Committee respond to the nutritional needs of all Americans.

Harold Howrigan, director and president of the St. Albans Cooperative Creamery said that unlike the 1985 bill, the dairy title of the 1990 farm bill should be written in the context of a shortage of dairy products. With recent biotechnology developments, a supply management program would be needed to maintain a stable dairy industry. He said the projected cut in the dairy program is not justified because there would be no surplus in 1990 or 1991, with the exception of butter.

Senator Lugar was not convinced that the Vermont economy would fail if it were left to the market to decide the price of milk. Witnesses countered that Vermont needs a dairy support program to stabilize the industry rather than to keep it alive.

At the hearing on October 16 in Camilla, Georgia, witnesses raised the following issues:

—continuation of EEP;
—maintenance of differentials in the dairy program;
—maintenance of the peanut program with an increase in the quota floor for peanuts up to 1,350,000 tons;
—calls for simpler regulations with time for public discussion;
—extension of contract deadlines;
—requests to eliminate unrealistic shrinkage allowances,
—support for the cotton check-off bill;
—improvements in the soybean program;
—revamping the Georgia corn yield.

SUBCOMMITTEE

Subcommittee on Agricultural Production and Stabilization of Prices

Livestock

On September 15, 1989, the Subcommittee on Agricultural Production and Stabilization of Prices held its first hearing on commodity issues in the 1990 farm bill. This hearing, chaired by Senator Baucus, focused on livestock and poultry issues. Senator Baucus

stated his understanding that the livestock industry's greatest priority in the farm bill is maintaining stable grain prices. Other issues important to the industry are: an emergency feed program; livestock inspection; disease control; and the implications of increasing concentration in the beef packing industry.

Tom VonGarlem, Assistant Deputy Administrator of State and County Operations at USDA's Agricultural Stabilization and Conservation Service (ASCS) stated that while the livestock industry has not been a major concern in previous farm bills, livestock producers are increasingly affected by general farm policies as well as specific program provisions. In this light, he argued, the Committee may want to consider developing comprehensive assistance programs for livestock. He did not, however, provide any specific recommendations for changes in current legislation.

Glenn Grimes, emeritus professor at the University of Missouri's department of agricultural economics emphasized the importance of a stable price and supply of feed grain. He said the pork industry will soon become as concentrated as the beef packing industry. He called for legislation to stem increasing concentration in both industries.

Professor Grimes said the demand for pork declined in the past decade, but has recently stabilized partly due to increased promotion efforts. He cited a similar decline and leveling in the beef industry in the late eighties. In spite of those similarities, he explained some fundamental differences between the production of beef and other livestock. He said beef cannot be competitive on a cost of production basis because it has to be both lean and palatable. However, technology exists to make pork and poultry competitive on a cost of production basis. Because of this distinction, beef is sold by promoting it as a specialty item whereas the selling point for pork and poultry is low price. He added that if demand for beef stays stable over the next few years, prices will soften, making the aggressive development of new markets crucial.

The first panel of witnesses consisted of Jimmy L. Wilson, former regional vice president of the National Cattlemen's Association and Don Gingerich, president of the National Pork Producers Council.

Jimmy Wilson called for legislation to maintain a stable feed grain price and supply. He suggested the possibility of a triple base plan for grain. He opposed the whole herd buyout concept for dairy. He also called for the expansion of the promotion provision in the research title to include funds for marketing beef in Japan. Mr. Wilson said the Cattleman's Association would oppose the Conservation Reserve Program (CRP) if haying or grazing is allowed on new land entered into the program. He asked that CRP land be reverted back to commercial uses after the expiration of the ten year contract. He also recommended that the Committee develop noxious weed legislation.

Don Gingerich said there is a need for more research funding for disease control and new product research as well as new marketing strategies. He asked that the Committee enhance export programs for pork.

The second panel of witnesses consisted of David McClure, president of the Montana Farm Bureau Federation and Howard F. Lyman, legislative assistant, from the National Farmers Union.

David McClure was concerned about farm program crop pricing, acreage reduction programs and commodity stocks policies. He said the basic loan should not be used as a price enhancement tool. He criticized USDA for poor administration of farmer held reserves. The Montana Farm Bureau was against any grain program that increases price and income guarantees. The bureau also opposed the whole herd buyout plan for dairy, as well as proposals allowing haying and grazing on set-asides. Mr. McClure called for continuation of the Wool Act.

Howard Lyman asked the Committee to address what he perceived as a vertical integration and concentration in the livestock industry.

Jeanne Charter of the Northern Plains Resource Council and Leland Eikermann, representing the National Save the Family Farm Coalition testified on the final panel. Both called for legislation to offset increasing concentration in the meat packing industry.

On September 21, 1989, the Subcommittee held its second hearing on commodity programs; this hearing addressed feed grain issues. Feed grains include corn, sorghum, barley and oats. Chairman Pryor expressed his concern that if target prices are allowed to decline, farmers will suffer from income reductions. The Chairman was also interested in the connection between commodity programs and environmental issues; he said he hoped to strengthen the tie between the two, possibly through increasing flexibility. He also asked for specific testimony on trade issues with respect to feed grains.

The first witness, Bruce Weber, director of the Commodity Analysis Division at USDA's ASCS, reviewed the history of grain trade to show that legislation shouldn't be based on performance in one year. USDA's goal with respect to feed grain policy included the following: maintaining farm income and adequate food supplies; enhancing competitiveness in export markets; strengthening the United States's reliability as a supplier; and limiting government costs. He said USDA is having difficulty setting target prices because production potential in the U.S. exceeds foreign and domestic needs. He added that program flexibility may make the difference. Mr. Weber also saw a possible need for separate programs for each grain. He recommended that the Farmer Owned Reserve program be revamped and supported exploration of alternative product uses.

Dr. William H. Meyers, professor of agricultural economics at Iowa State University offered his outlook for feed grains given the continuation of current programs with target prices frozen at 1990-91 levels and with the CRP increased to 40 million acres. He pointed to patterns showing that relative prices of sorghum to corn and barley to corn rye are above historic norms; he suggested that these patterns may warrant delinking ARP's for sorghum and barley from corn. To increase flexibility he recommended that the Committee either return to the normal crop acreage concept or implement a flexible base plan. He said increased planting flexibility is preferable to the threat of decreasing target prices in a budget crunch. Dr. Meyers also criticized the Farmer Owned Reserve program for creating excessive surpluses.

On the first panel of witnesses were the following representatives from various feed grain associations: Jack Kintzle, first vice president of the National Corn Growers Association; Dick Perry, vice president of the National Grain Sorghum Producers Association; Louis Arnold, president of the National Barley Growers Association; and John Bollingberg, representing the American Oats Association.

Jack Kintzle asked for increased planting flexibility and no further reductions in the current support levels. He also recommended a mandatory marketing loan for corn. Like the witnesses before him, he stressed the need for increased research into alternative uses.

Dick Perry asked that the Secretary of Agriculture be required to hold feed grain carryover stocks "at a manageable level." He said he opposed some U.S. positions in the multilateral trade negotiations because they would put American farmers at a disadvantage. The National Grain Sorghum Producers called for legislation to: maintain target prices at the highest 1989 level; maintain a higher domestic grain price; expand export enhancement programs; and prevent decoupling of feed grain payments from commodity payments. His recommendation also included proposals for recalculating farm program payments.

Louis Arnold complained that barley has been relegated to secondary status in past farm legislation. He called for discretionary power for the Secretary to exclude barley from the feed grains program. Further, he argued that each feed grain should be considered separately and barley should have a separate section in the feed grains title. The total economic cost of production should be used to calculate deficiencies and the rollover for stored barley should be two years. He also maintained that the barley program base and yield figures are out of date. Mr. Arnold asked that barley be included in food assistance programs.

John Bollingberg complained that the oat target price is too low, the oat program is too inflexible, and CRP pulls a disproportionate amount of oat acreage out of production. He asked that target prices be realigned to remove the advantage that some crops have over others.

Charles Benbrook, executive director of the Board on Agriculture at the National Academy of Sciences and Ken Cook of the National Audubon Society and vice president of the Center for Resource Economics testified on the second panel.

Charles Benbrook said a National Academy of Sciences study on alternative agriculture proved that inflexibility in base acreage and cost compliance provisions diminish farmers' ability to implement alternative agriculture practices.

Ken Cook said Committee action on feed grains is most important to environmentalists because of intensive practices in that industry. He said environmentalists are calling for a higher set aside requirement for producers who plant a large number of program crops and changes within the CRP to encourage crop rotations through incentive payments.

Carroll Brunthaver, representing the National Grain Trade Council and Charles Frazier, director of the National Farmers Organization testified on the final panel. Charles Frazier's recommen-

dations included adjusting loan rates based on demand and focusing the administration of conservation programs on bushels, pounds and bales rather than acres. Mr. Brunthaver accused USDA of being short sighted in keeping ARPs high. He called for more flexibility and asked that reserve and CCC release prices be revamped.

Cotton

On March 1, 1990, the Subcommittee met to hear testimony on the cotton title of the 1990 farm bill. It was Chairman Pryor's sense that while the Committee would focus on flexibility and environmental concerns in the 1990 cotton title, most aspects of the current title have been working well and would need little revision. He argued that the administration's proposal would make dramatic changes where none were needed. Senator Cochran also voiced his support for the continuation of the current legislation. Senator Heflin suggested a target price formula which would allow for an escalator based on increases in the cost of production. Otherwise, he argued, the basic principles of the cotton program ought to be retained.

Dr. Bruce Gardner, Assistant Secretary for Economics offered USDA's views on this title. He said the USDA proposal would make changes in four areas: acreage flexibility; acreage reduction programs; CCC loans and storage; and payment yields. Specifically, USDA wants to implement a "Normal Crop Acreage" program to allow substitution among program crops based on market conditions. The proposal also includes: a "less rigid" Acreage Reduction Program; provisions to make cotton loans comparable to grain loans, with the exception of the marketing loan; and continuation of payment yields with a payment basis standardized across commodities.

Chairman Senator Pryor argued that the elimination of cross-compliance would provide sufficient flexibility. Chairman Pryor also opposed any shortening of the loan period for cotton as well as the elimination of the fifty cent a pound guarantee for cotton.

Senator Cochran argued that the cotton program should not be changed just for the sake of making it comparable with other programs because cotton is a fundamentally different commodity.

Dr. Carl G. Anderson, agricultural economist from Texas A&M University recommended that USDA and the Committee's efforts should focus on: maintaining the marketing loan; exploring the use of futures and options in the cotton industry; and adjusting target prices based only on inflation.

The first panel consisted of Tommy Funk, president of the National Cotton Council of America and Bruce Brumfield, chairman of the producer steering committee at the National Cotton Council. Mr. Funk called for the continuation of the current title with provisions for adjustments to the ARP when the U.S. Cotton price delivered to Europe is too high.

According to Bruce Brumfield, the Cotton Council supports a continuation of the main concepts and provisions of current law. However, he said target prices should include the cost of production and be adjusted for inflation. The Council opposed any version of a gross returns means test. The Council's recommendations also in-

cluded: a limited flexibility program; the elimination of cross compliance; provisions allowing inter-crop plantings within a producer's acreage base; a 0/25 option for soybeans and other oilseeds; a modified ARP similar to that of the wheat program; and continuation of the current loan program with an eight month extension and fifty cent loan minimum.

Testifying on the second panel were: Robert McLendon, president of Southern Cotton Growers; John Sharp Howie, chairman of the executive steering committee of the Delta Council; Bob McGinnis, president of the Agricultural Council of Arkansas; Steve Verett, president of Plains Cotton Growers, Inc.; and James Accomazzo, representing the Arizona Cotton Growers Association.

Mr. McLendon supported continuation of the current program with the following changes: a ten percent increase in the CCC nonrecourse loan floor; adjustment of target prices on a cost of production bases with a floor set at no lower than 75 cents; limited flexibility; and continuation of the boll weevil eradication program. He also recommended that the Federal crop insurance program be continued. He called for the elimination of cross compliance and rejected the administration's normal crop acreage concept.

John Sharp Howie also supported continuation of the current marketing loan program. While he agreed that target prices should be based on cost of production, he argued that USDA's method of calculating cost of production is inaccurate.

Bob McGinnis, Steve Verett, and James Accomazzo called for continuation of the current program with provision for limited flexibility. Their organizations support the marketing loan and recommend an eight month extension of ten month cotton loan. Mr. Verett added that target prices should be set at no lower than 72.9 cents with annual adjustments based on cost of production. Mr. Accomazzo also recommended the elimination of cross compliance.

The final panel consisted of the following representatives of cotton related organizations: Fred Traylor, president of the American Cotton Shippers Association; George Dunklin, representing the National Cottonseed Products Association; Larry Warren, president of National Cotton Ginners Association; James Chesnutt, vice chairman, cotton committee office, of the American Textile Manufacturers Association; and John Pucheu, president of Calcot, Ltd.

Fred Traylor said the current program encourages excessive storage. Further, extension of ten month loan should left to the discretion of the Secretary. Storage should be deducted at the outset of the loan. He opposed the eighteen month loan because it allows producers to hoard their stock in hopes of a higher price. Mr. Traylor supported increased flexibility and applauded the Secretary's National Crop Acreage proposal.

According to George Dunklin the cottonseed product markets need to be protected from government support of other oilseeds and export enhancement programs need to be made effective for cottonseed as well as other oilseeds.

Larry Warren's proposals were similar to those of the producers on the first panel except for his recommendation that the ARP should be based on a stock-to-use ratio not exceeding twenty-five percent with one half of the program optional for farmers. He also

called for protection for the cottonseed industry from government support of other oilseeds.

James Chesnutt also supported Mr. Funk's proposal and asked for a specific amendment to Section 204 of the Agricultural Act of 1956.

John Pucheu expressed his support for the eighteen month loan. He recommended limited flexibility and said growers should be allowed to certify zero planning to protect their bases. He called for early announcement of programs; November for the first announcement and January for the second. He also supported grower funded research and implementation of a promotion program with uniform, mandatory assessments.

Wool and Honey

On March 2, 1990, the Subcommittee met to consider the wool and honey title. Senator Conrad, who chaired the hearing voiced his support for a strong honey program.

Bruce Gardner, Assistant Secretary for Economics at USDA recommended that target prices for wool be set at 90 percent of the 1985 wool support price. He said payments should be made on a basis of poundage rather than on percentage of receipts. This would reduce the support level to $1.56 per pound as opposed to $1.88 in current law. It was USDA's recommendation that honey should remain at the same level of support but the program should be switched from a loan rate form to a target price and deficiency payment program.

Testifying on the first panel were: Steve Klein, commercial honey producer from Marshall, Minnesota; Joe Holt, producer from Richland, Virginia and representative of the American Honey Producers Association; Don Shenefield, honey producer and member of the National Honey Board from LaFontaine, Indiana; and Stephen Darrow, vice-president of Green Mountain Orchards in Putney, Vermont. All four witnesses agreed that the administration's proposal for the honey title would significantly reduce honey producer income. They called for continuation of the current program and asked for increases in the loan rate as well as research funding to fight mite infestation.

Dr. John Ambrose, professor of entomology at North Carolina State University testified that one third of foodstuffs produced in the USDA daily basket comes from plants or foods pollinated mostly by bees. He said the pollination industry profits food producers much more than it does honeybee owners. Further, he warned that because of mites and other problems, the industry will possibly lose half of its domestic bee colonies in next several years.

Testifying on the wool title were: Pierce Miller, chairman of the American Sheep Industry Association's legislative action council; Wally Caine, a member of the Indiana Sheep Breeders Association; Rosetta Jake, representing the Wool and Mohair Economic Development Council of the Navajo Nation in Shiprock, New Mexico; and Ralph Mayer, president of the Texas Sheep and Goat Raisers Association. All four witnesses called for continuation of the current title, claiming that it has been proven to be market sensitive and cost effective. They argued that the administration's proposal would take away needed stability in an erratic market. Rosetta

Jake added that the current program plays a fundamental part in keeping the economy of the Navajo nation stable.

Senator Daschle called the administration's proposal to replace the National Wool Act of 1954 with a target price system, "the most reprehensible and inexcusable" of any of the administration's proposals. Senator Conrad accused the administration of intending to reduce farmer income, diminish supply and increase consumer price.

Rice

On March 5, 1990, the Subcommittee met to consider the rice title. Senator Pryor pointed out that while the 1985 farm bill has been a success for the rice industry, some issues, including the environment, production, trade and flexibility, would need close consideration in 1990 legislation. Senators Cochran and Pryor made a point of expressing their opposition to the Office of Management and Budget's (OMB) income means test proposal.

Dr. Bruce Gardner, Assistant Secretary for Economics at USDA testified that while he agreed that the 1985 rice title is a good "framework" for rice policy, USDA has recognized the need for some fundamental changes. USDA's proposed changes would include: increasing acreage flexibility through the normal crop acreage concept; changing the rice loan to a moving average with a 20 percent reduction option while maintaining the marketing loan; and altering the acreage reduction program. He said these proposed changes were driven by policy rather than budget. When pressed by the Chairman, Dr. Gardner admitted that the administration did not have a specific proposal for target prices. However, he said that in its projections, USDA has assumed frozen target prices.

Al Montna, a member of the Farmers' Rice Cooperative, testified that the organizations he represents support the continuation of the Food Security Act of 1985. He said the rice marketing loan and the target price system have been particularly successful, as has the ARP at balancing production with demand. His recommendations included: slight modifications of the ARP; continuation of target prices at not less than $10.71 per hundredweight; maintenance of the minimum loan rate of $6.50 per hundredweight; limited flexibility; and continuation of the export enhancement programs. He asked that the Committee refrain from mandating environmental production practices.

Ron Caffey, chairman of the board of the Rice Millers Association, which is in partnership with the U.S. Rice Producers, endorsed the continuation of the Food Security Act of 1985. He was especially supportive of the marketing loan program. He proposed a stock-to-use ratio formula for determining acreage reduction levels. He said that no further flexibility was needed and specifically opposed unlimited base shifting among crops. He also called for continuation of the current price and income support levels.

Regarding OMB's incomes means test, there was consensus among producers and users that such a test would not only be unreliable, but would force farmers to work on an extremely thin margin. Producers also criticized USDA's normal crop acreage proposal. The elimination of cross compliance, they argued, would be a

much better solution. They asked for a continuation of the current program (including the marketing loan), the current target price, and a minimum loan of $6.50 per hundredweight.

Sugar

On March 6, 1990, the Subcommittee met to hear testimony on the sugar title of the farm bill. Senator Conrad, who chaired the hearing, stressed the importance of continued protection of U.S. sugar prices from artificially low sugar prices on the world market. He pointed out that the program is run at no net-loss to the Government. He argued that the U.S. sugar program should not be changed until other countries are ready to make multilateral support reductions.

Ambassador Julius Katz, Deputy U.S. Trade Representative discussed the current sugar program in the context of recent actions in multilateral trade negotiations. He said the current sugar policy, as mandated by the Food Security Act, has caused a drop both in imports and domestic consumption and an increase in production. He discussed possible U.S. responses to a recent GATT ruling requiring the U.S. to bring its sugar import quota into GATT compliance. He argued that the sugar title of the 1990 farm bill should be written in the context of the administration's efforts to comply with GATT.

In response to Senator Conrad's question about the U.S. response to unfair trading practices of the European Community (EC), Ambassador Katz said that the U.S. has failed to successfully challenge the EC's programs. He also said that in the current negotiations, there is no risk of a tradeoff of the sugar program for some other commodity because U.S. policy has been not to negotiate on individual policies. Further, any concessions in the U.S. sugar policy would not be made unless they were matched by concessions in the EC program.

Bruce Gardner, Assistant Secretary for Economics at USDA testified that recent volatile sugar prices have been the result of countries' efforts to maintain a stable internal price by adjusting imports. He argued that any changes in the sugar program should only be made in the context of multilateral negotiations. If the Committee should decide to make changes, he argued against the implementation of production controls.

The first panel of witnesses consisted of the following representatives of sugar producers and workers: Patrick D. Mahar, president of the Sugar Beet Growers Association; Fritz Stein of Stein Farms in Florida; Tim Trotter from the National Corn Growers Association; and Mike Lewis, representing the International Longshoremen's and Warehousemen's Union.

Mr. Mahar and Mr. Trotter said no changes should be made in the sugar program until the Uruguay round is finished. Mr. Mahar's recommendations for the sugar title included: setting the loan rate for the 1991 crop at least twenty cents per pound; requiring the Secretary to make adjustments for cost-of-production; increasing the sugar loan period to nine months; retaining the no-cost provisions of the title; and strengthening control of blended sugars and sugar containing products.

Stein said the industry supports continuation of the current title with recommendations similar to those of the sugar beet growers. He asked that minimum market access of 1,250,000 short tons raw value for traditional exporters be maintained.

Michael Lewis claimed that some countries (including the Dominican Republic, Philippines, Brazil, El Salvador, Guatemala, and Honduras) are subsidizing their sugar industries through supporting low wages, inhumane working conditions, and violations of laborers' rights. He proposed that labor rights eligibility criteria be included in the sugar program.

The second panel consisted of the following sugar processors and users: Ronald Hayes, president of American Crystal Sugar Company; John Couch, chairman of the board of Hawaiian Sugar Planters Association; and Thomas Hammer, president of the Sweetener Users Association. Mr. Hayes and Mr. Couch made proposals similar to that of Mr. Mahar.

Thomas Hammer said the current sugar program has caused excessive production leading to unstable prices. He said the program has not kept pace with changes in the sweetener industry. He argued that the Committee should not wait for completion of the GATT negotiations to lower the price support level and create a "new mechanism" to handle imports.

The Honorable Edward A. Laing, Ambassador of Belize, and Arsenio Yulo, chairman and administrator of the Philippines Sugar Regulatory administration testified on the final panel.

Ambassador Laing, who was representing the Caribbean Basin Industries voiced his support for the GATT talks, but argued that the U.S. has an obligation to favor developing countries. Specifically, he recommended that the 1990 farm bill maintain the current loan rate; establish a minimum sugar import quota of 1,447,000 metric tons for 1990 and 1991 with incremental increases up to 2 million in 1906. He also asked for a special sugar re-export program for the Caribbean Basin.

Ambassador Laing denied Michael Lewis's accusations about worker rights violations in the Caribbean basin. He promised to provide the Committee with a written rebuttal.

Arsenio Yulo testified that the recent reduction in import limits has hurt the Philippines economically and politically. He said the U.S. should maintain its special relationship with the Philippines in regard to sugar. Mr. Yulo also took exception to Mr. Lewis's characterization of worker conditions in the Philippines.

Wheat

On March 8, 1990, the Subcommittee met to discuss wheat issues. Senator Boren, who chaired the hearing, was critical of the administration's flexibility proposals. Senator Gorton argued that the administration's flexibility proposal could threaten farmers who cannot switch from one crop to another. Senator Boren accused the administration of carelessly using its authority to lower the loan rate by twenty percent. Senators Baucus, Boschwitz and Conrad said target prices should be adjusted based on cost-of-living increases. All three Senators stressed the importance of maintaining the Export Enhancement and Temporary Emergency Assistance programs (EEP and TEA) to the wheat industry.

Bruce Gardner, Assistant Secretary for Economics at USDA defended the administration's flexibility proposal. He said it allows farmers to make planting decisions based on market conditions. He argued that restrictions on flexibility would defeat its purpose.

Dr. William Tierney, a professor from the department of agricultural economics at Kansas State University attributed the recent recovery of the wheat industry to several factors: large set-asides; a significant sign-up of wheat base in the CRP; the droughts of 1988 and 1989; strong world demand; the successes of EEP; and a temporary decline in competitor production. He was pessimistic about the potential for export expansion because he sees instability in the world market. Without a more flexible stocks release program, he argued, there would be no guarantee that stocks will not become excessive again. USDA's normal crop acreage proposal would exacerbate the problem by making it difficult for the wheat industry to respond to instability in the world market.

The first panel of witnesses consisted of the following representatives from producer organizations: Reggie Wyckoff from the National Association of Wheat Growers (NAWG); Louis Schupbach, President of Oklahoma Wheat Growers; and Frank Dilse, Vice-President of North Dakota Grain Growers.

Reggie Wyckoff opposed the USDA proposal and called for continuation of the current program. His recommendations included: linking target prices to unpaid acreage set-aside levels, maintaining the basic loan rate; maintaining a wheat reserve at three hundred bushels; allowing fifteen percent flexibility; and retaining the crop insurance program. With respect to conservation, NAWG supported USDA's proposal on environment and conservation.

Louis Schupbach made the following recommendations: set a target price of $4.38/bushel or at USDA's cost of production level plus 15 percent; set a loan rate of $3 per bushel; prevent stocks from being released until the price reaches $7.65 per bushel, (when the commodity price reaches parity level); allow crop rotation; and preserve the crop insurance program. Schupbach opposed program crop flexibility and supported USDA's proposal on environmental and conservation issues.

Frank Dilse was adamant about the value of the crop insurance program. He said he supports the target price concept but he thinks USDA's cost of production estimates are inaccurate. Dilse's stocks proposal was similar to that of the Oklahoma Wheat Growers.

The final panel of witnesses consisted of the following representatives from four interested organizations: Randy Marten, vice president, materials acquisition, at Campbell-Taggart; Steve Goulding, chairman of the Biscuit and Cracker Manufacturers Association; David Lyons, director of the North American Export Grain Association; and Duane Fischer, president and CEO of Scoular Grain Company and member of the National Grain and Feed Association.

Randy Marten recommended the following changes to minimize government involvement in agriculture: increase flexibility; minimize CCC ownership of grains; shorten reserve contracts and lower release prices; delay entering more land into CRP; maintain the

current method for calculating loan rates; manage the EEP better; and enhance grain quality initiatives.

Steven Goulding and David Lyons supported Marten's proposals. Goulding added that flexibility should not be motivated by budget savings. He also supported the administration's proposal on farmer owned reserves, and added that current stocks release levels are too high.

Duane Fischer said the Committee should reduce government involvement by decreasing reliance on supply management and acreage reduction programs. He called for increased flexibility, and the elimination of ARPs and set asides. He argued that excessive wheat acreage has been entered into CRP and recommended that grain kept in the farmer owned reserve should be made more available to market.

Deficiency Payment Problems with Barley Production

On April 19, 1990, the Subcommittee held a hearing on deficiency payment problems associated with barley production. Senator Baucus, who chaired the hearing, accused USDA of not being consistent in figuring target and market prices for barley. He said that barley producers are being required to repay entire deficiency payments even though they are getting much less than USDA's calculated marketing price for their barley. He argued that USDA should either consider feed barley and malting barley for income support purposes completely separate or completely together.

Keith Bjerke, Administrator of ASCS, argued that using average market prices in calculating deficiency payments is not unique to barley. If USDA changed the payment rate for barley so that feed barley producers would get paid at a different rate from malt barley producers, producers for other commodities with high and low value uses would ask for the same. He added that the problem is exacerbated by the fact that barley planted as malt often must be sold as feed barley. He rejected proposed solutions as being either too costly or administratively too complex. Further, he argued, to allow a delay in payments would be unfair to other commodities.

George Paul, executive director of the Montana Farmers Union, explained how the barley industry developed the need for advance deficiency payments in the first place. He did not have a specific recommendation for altering the formula.

Gerald Lacey, president of the Minnesota Barley Growers Association, and Marsha Jones, grain chairman of Women Involved in Farm Economics (WIFE), blamed the deficiency payment problem on the 1981 Act. Mr. Lacey suggested that the malting barley price be removed from the average price USDA uses to calculate deficiency payments.

Steven Naught, vice president of the National Barley Growers Association, and Tim McGreevy, administrator of the Idaho Barley Commission, concurred with Lacey and Jones on the malting barley price. Naught also asked that barley have its own title in the farm bill. Further, he stated that target prices should be calculated based on cost of production. McGreevy complained that the CRP takes out excessive barley acreage.

There was consensus among barley growers that the target price should not be based on the relative feed value of barley to corn. Witnesses also agreed that the current barley target price does not accurately reflect the cost-of-production.

Cost of Production

On April 23, 1990, the Subcommittee on Agricultural Production and Stabilization of Prices held its final hearing in preparation for the 1990 farm bill. Witnesses at this hearing addressed the implications of rising production costs in agriculture. Senator Pryor was concerned that unless Congress takes action, increasing production costs could prove disastrous for American farmers.

Testifying at the hearing were: John Tull, a rice farmer from Lonoke, Arkansas; Billy Griggs, a peanut farmer from Unadilla, GA; Jackie Theriot, a sugarcane farmer from Breaux Bridge, Louisiana; Lloyd Kline, a cotton farmer from Lamesa, Texas; Jim Wilson, a cattle rancher from Trout Creek, Montana; Harvey Joe Sanner, a soybean farmer from Des Arc, Arkansas; Wiley Felty, a wheat farmer from Altus, Oklahoma; and Billy Joe Miles, a fertilizer retailer from Owensboro, Kentucky. Bruce Gardner, Assistant Secretary for Economics at USDA also testified.

Producers unanimously opposed OMB's proposed income means test.

John Tull testified that until now, increased yields have covered increasing production costs. However, now that yields have reached their agronomic maximum, farmers need help to meet these costs. He said energy costs (including petro-chemicals) have become the biggest burden to farmers. At the very least, he said target prices must not be cut.

Billy Griggs cited a ninety-seven percent increase in per acre production costs over the past fifteen years; this has been accompanied by an eighteen percent decrease in yields. He said the decline in yields has been exacerbated by viruses which require expensive retardants. He agreed with Tull that energy costs have become the most burdensome; he added that interest rates also add to rising costs of production. Griggs concluded that high production costs are forcing farmers to plant other crops.

James Theriot testified that while the sugarcane industry is one of the most efficient in agriculture, it demands a large input cost per acre. Most taxing are heavy investments in specialty equipment and labor. Although yields have increased, production costs have increased more by 23.7 percent between 1986 and 1989. He argued that without increases in loan rates, farmers will not be able to meet these costs.

Lloyd Kline testified that in the cotton industry, equipment and labor absorb the most capital. In the high plains of Texas, cotton crops bear the burden of unpredictable weather; this causes dramatic fluctuations in the cost of production from year to year. He argued that high risks and the lack of capital are preventing young people from going into farming. Kline recommended that the Committee raise the current target prices based on cost of production and continue the loan program. He warned the Committee that if individual farmers are pushed out of agriculture, corporate farming will replace them at a significant cost to consumers.

Jim Wilson said he is only making 60 dollars a head on his cattle. The recent period of drought in Montana has made feed costs exceptionally high. Furthermore, high priced feed does not equal high priced cattle anymore because meat prices are expected to remain relatively stable. He said interest costs are the greatest burden because of the cycle in the cattle industry that requires years of capital input before a profit is recovered.

Bruce Gardner, Assistant Secretary for Economics at USDA disputed producers' claims about the rising costs of production. He said that energy costs have declined significantly and are currently at 1981 levels. He also said that the cost of fertilizers has declined recently and has now leveled off. He argued that USDA's methods for calculating cost of production have been improved recently and are reliable. He also maintained that target prices should not be calculated based on "all the costs of the average farm in the U.S." Further, raising target prices based on such an average would overstimulate production.

Harvey Joe Sanner argued that although the costs of soybean farming decreased slightly in the mid-eighties, they are increasing now. He said target prices need to be indexed to cost of production.

Wiley Felty testified that wheat farmers' profits do not cover production costs. He said tractors are old and overused because farmers cannot afford replacements. He pointed out that wheat farmers get less than two cents from a loaf of bread.

Billy Joe Miles testified that the most burdensome cost is insurance in the retail fertilizer business. Because of environmental restrictions, his overhead has increased 3 percent in last three years. Equipment and labor costs are also rising because of the complexity of the fertilizer industry. He added that the crop insurance program is essential because he would not be able to give credit to customers without it.

Subcommittee on Domestic and Foreign Marketing and Product Promotion

On February 6, 1990, the Subcommittee on Domestic and Foreign Marketing and Product Promotion held a hearing on export and market development programs. According to Senator Boren the U.S. needs to send a strong signal to the European Community by strengthening the export programs contained in the 1985 Act. The export programs examined at this hearing included: The Export Enhancement Program (EEP), The Export Credit Guarantee Program, the Targeted Export Assistance Program (TEA), and the Cooperator Program. Senator Boren was specifically interested in reports from the Inspector General's office and the General Accounting Office (GAO) which allege mismanagement and lack of accountability in several of these programs.

R.E. Anderson, Administrator of USDA's Foreign Agricultural Service, maintained that USDA has strengthened EEP and the Credit Guarantee programs over the past year by addressing GAO and the Inspector General's criticisms. He said significant changes have been made to EEP procedures and program operations to enhance the program's objective of maintaining the U.S. share of markets where unfair trading practices prevail.

He added that management of the TEA program, which is budgeted for $200 million in 1991, has been improved through program guideline revisions. The chief purpose of these revisions is to resolve the potential for conflict of interest in the program. Mr. Anderson concluded that within budget constraints, the objective of the export programs continues to be a gradual transition to a market-oriented agricultural policy worldwide.

William Allen, president and CEO of the Union Equity Co-operative Exchange in Enid, Oklahoma, argued that the primary focus of the EEP should continue to be on helping U.S. producers compete in the world market. EEP should not be eliminated, he said, until the international playing field has been completely leveled by the GATT. Mr. Allen also opposed expansion of CRP acreage.

Wayne Anderson, executive vice president of the International Banking Division of Co-Bank expressed his support for the continuation of the export programs. He said his bank has never lost any interest or principal since Co-Bank initiated its program. Mr. Anderson called for: an increase in the authorization levels for the GSM program from $5.5 billion to $7 billion; continuation of the EEP at at least current levels; and the establishment of standards for foreign banks participating in the program.

Alex Curtis, president of the Farmers Grain Terminal in Greenville, Mississippi called for the continuation of the marketing loan programs for rice, cotton and honey. He testified that markets for these commodities have expanded significantly because of the trade programs contained in the 1985 Food Security Act. Mr. Curtis's recommendations for the 1990 legislation included: continuing EEP at a level consistent with its goals; authorizing TEA at no less than $325 million; expanding the GSM 102 and 103 programs; and strengthening the Public Law 480 program.

Paul Drazek, assistant director of National Affairs of the American Farm Bureau, offered the Farm Bureau's support for the EEP and TEA. He urged the Committee to maintain U.S. leverage in the GATT negotiations by strengthening these programs.

Winston Wilson, president of U.S. Wheat Associates, recommended that the Committee restructure TEA to make it a long-term market expansion program. Mr. Wilson also called for improvements to the program which would reduce administrative costs and paper trails. He supported the continuation of the Cooperator Program as a program distinct from TEA. Other recommendations made by Mr. Wilson included increasing funding for the GSM programs and streamlining the Public Law 480 program.

Larry La Touf, chairman of the national cotton council foreign operations committee and executive vice president of Calcot, Ltd., testified in support of the continuation and strengthening of the export provisions of the 1985 Act. He argued that the primary focus of the programs should continue to be market development. Regarding the GSM export credit programs, he was concerned that fluctuating exchange rates increase participant risk. Mr. La Touf expressed the cotton industry's support for marketing loan programs. He also called for reauthorization of the TEA program at its current level. According to Mr. La Touf, the cotton industry sees some merit in merging the TEA program with market development programs.

David Graves, president of the Rice Millers' Association, concurred with Winston Wilson's testimony. He recommended that the GSM program be expanded with provisions to ensure the effective administration of the extended program. He also called for reauthorization of EEP at a level no less than $1 billion and reauthorization of the TEA program at the current level.

Subcommittee on Agricultural Credit

On February 8, 1990, the Subcommittee on Agricultural Credit, chaired by Senator Conrad, held a hearing on the credit title of the 1990 farm bill as it relates to the Farmers Home Administration. Testifying were: Neal Sox Johnson, Acting Administrator of Farmers Home Administration (FmHA); John Harman, Director of General Accounting Office's Resources, Community, and Economic Development Division; Gary Emm, vice president of the Intertribal Agricultural Council and ranch manager of the Washoe Tribes in Carson City, Nevada; Cheryl Cook, representing the National Farmers Union; Pam Baldwin, representing the National Save the Family Farm Coalition; Eugene Severens, representing the Center for Rural Affairs; and Ralph Paige, representing the Federation of Southern Cooperatives.

This hearing focused on evaluating FmHA's role as a supervised creditor. Senator Conrad was especially interested in the impact of the shift from direct to guaranteed lending and FmHA's graduation process, and whether borrowers were getting the training in farm and financial management needed to successfully compete for private credit.

Sox Johnson asserted that FmHA has become "a permanent source of comprehensive government-wide subsidized credit" with an accumulated deficit of $42.6 billion for all of its programs, of which $27 billion is a reserve for future losses. He proposed that FmHA return to its original role as lender of last resort by providing limited term supervised credit to borrowers "who have a reasonable chance of becoming successful farmers".

Under this proposal, FmHA would rely much more heavily on guaranteed lending by private and commercial credit sources, coupled with strategies to expand acceptance of the guaranteed loan program among borrowers and lenders. Direct operating loans would be provided only to existing borrowers and beginning farmers, with a specified level of education and work experience. Eligibility of new direct operating loan borrowers would be limited to 7 years. Direct farm ownership loans would only be available for socially disadvantaged individuals. Guaranteed loans would be directed toward experienced borrowers who would be encouraged to graduate to commercial credit. Eligibility for guaranteed farm operating loans would require a 20 percent equity position. Guaranteed farm ownership loans would be available only to beginning farmers and those expanding their operations, and would require a 20 percent down payment or equity position. A 7-year eligibility limit would also be place on guaranteed loans. Overall, USDA would impose a 10-year maximum period during which a borrower could obtain a combination of new direct and guaranteed loans, with a

one-time rescheduling of up to seven years. This would effectively cap at seventeen the number of years a farmer can be with FmHA.

Senator Conrad closely questioned Mr. Johnson's comments on FmHA's deficit and statements about FmHA "losses." He clarified that these "losses" included interest subsidies, which are explicit program expenses mandated by Congress. Mr. Johnson agreed that interest subsidies should not have been included in his statement of "losses." Senator Conrad also asked Mr. Johnson how many current FmHA borrowers would be ineligible for direct or guaranteed loans under his proposal. Mr. Johnson was not able to provide a precise answer because an impact analysis had not been done.

John Harman testified that in its eighteen reviews of FmHA programs and financial conditions, GAO has concluded that Congress should reexamine FmHA's role. GAO's conclusions were based on the following discoveries:

—The revolving fund from which all farm program loans are made shows a cumulative deficit of nearly $29 billion since the inception of the agency.
—FmHA is on "a loan making and servicing treadmill" where borrowers fall more deeply in debt.
—FmHA has become a continuous source of subsidized credit.
—Few direct loan borrowers have shifted to guaranteed loans because of their poor financial situations.
—The government's overall financial exposure has increased despite the shift from direct to guaranteed loans.
—One-third of all direct and guaranteed loans are used to refinance existing debt.
—80 percent of direct and guaranteed loan funds go to existing FmHA borrowers or existing borrowers of private lenders.

Gerry Emm explained that Indian farmers have become increasingly dependent on FmHA loans because of constraints placed on access to private capital by the Federal Government's trust responsibility and the sovereignty of tribal governments. Mr. Emm blamed numerous failures of farms on FmHA's short term approach to capital. The Intertribal Agricultural Council also opposed the move toward guaranteed loans. Mr. Emm called for reauthorization of the land acquisition program and recommended that FmHA focus solely on agriculture producer loans rather than diversify to other types of lending.

Cheryl Cook also criticized FmHA's guaranteed lending program. She called for increased funding for full staffing for FmHA to perform its supervisory tasks. She argued that the proposal outlined by USDA would not fully meet credit demand. The Farmers Union also opposed provisions in the proposal which: limits farmers to one write-down; requires a 20 percent down payment or 20 percent equity to be eligible for guaranteed loans; and increases the recapture period to ten years for cases of net recovery buyout. Ms. Cook also criticized the administration's proposal to turn the FmHA guaranteed loan secondary market over to Farmer Mac.

Pam Baldwin's proposals for the 1990 title included: improved outreach education through FmHA local offices; increased appropriations for direct loans and less for guaranteed loans; targeting direct ownership and operating loans to the most needy farmers; reform of State loan fund allocation procedures for operating loans;

implementation of a guided graduation program; and expansion of the interest rate buy-down program. She also made recommendations regarding alternative agriculture practices, land inventory, conservation easements, appeals, and retirement homesteads.

Eugene Severens' recommendations were based on three observations: that the traditional direct Farm Ownership and Operating Loan programs have been the most successful of FmHA's lending programs; that FmHA's emergency loan programs have been failures; and that guaranteed lending does little to help beginning farmers. He called for a separate and detailed program for beginning farmers and recommended that there be no reduction in direct lending until guaranteed lending has been proven to help beginning farmers.

Ralph Paige, testifying on behalf of low-income black family farmers, stressed the importance of a healthy credit system to keep minority farmers on the land. He characterized the guaranteed loan program as a "program which targets more Federal resources away from black and other minority farmers." Mr. Paige was also concerned about FmHA's ability to overturn appeals. He asked for increases in the Small Farm Technical Assistance Program and proposed a Minority Farmers' Rights bill to prevent loss of land among minority farmers.

On February 20, 1990, the Subcommittee held a hearing on FmHA's guaranteed lending program in the context of the credit title of the 1990 farm bill. Senator Conrad was concerned that the rapid shift from direct loans to guaranteed loans mandated in the 1985 Act had neglected the credit needs of many farmers. He was also concerned that the administration's proposed three year interest rate buy-down program would not reduce the outstanding balance on a loan enough to make the loan bankable in the private sector. He was also critical of FmHA's proposed 7 year mandatory graduation proposal.

Michael Grove, chairman of the executive committee of the American Bankers Association's agricultural bankers division and president of the First National Bank in White Sulphur Springs, Montana, offered his organization's support for FmHA's guaranteed lending program as well as the interest rate buy-down program. He was also supportive of FmHA's efforts to develop terminology and forms consistent with those in the private sector. However, he suggested that FmHA's policy requiring farmers to prove 110 percent cash flow is too restrictive to attract many commercial banks and prevented many farmers from qualifying for loans. He recommended a return to the 100 percent cash flow provision.

Gary Nelson, representing the Independent Bankers Association of America, testified that while his organization is opposed to completely phasing out direct loans and replacing them with guaranteed loans, there is some merit in the guaranteed lending program for a targeted group of farmers. Mr. Nelson opposed a strict 7 year graduation deadline, although he supported a more flexible time limitation. He was supportive of the interest rate buy-down program and the administration's proposal to make FmHA banking procedures consistent with those of the private sector. He also approved of allowing Farmer Mac to pool FmHA guaranteed loans. However, he argued that unless FmHA develops more efficient

ways to process and approve loans, many lenders and borrowers will continue to be discouraged by red tape.

Larry Buegler, member of the Farm Credit Council and president and chief executive officer of the Farm Credit Bank of St. Paul, Minnesota, testified that his district has had success in writing guaranteed loans. However, he opposed cuts in direct loans. Buegler also recommended that FmHA relax its regulations which are acting as disincentives to farmers and bankers. He was also concerned that proposed 1991 funding levels for FmHA loan programs would be inadequate. Other recommendations included: a request that Congress not reduce the 90 percent guarantee; more flexibility in setting interest rates; permission for the Farm Credit System to make community loans; and provisions to allow FmHA to provide guarantees for farm equipment leases.

Neal Sox Johnson, Acting Administrator of FmHA, traced the trend toward increased guaranteed loans since the 1985 Food Security Act. He cited a FmHA program called "Operation Assist", which he asserted has been responsible for helping farmers make the transition from direct to guaranteed loans. He claimed that the guaranteed loan program has made it possible for farmers to obtain loans they would otherwise not have been able to get. Further, borrowers with guaranteed loans showed a much smaller delinquent rate than those with direct loans. He argued that these losses on these loans will remain low because they are based on commercial standards. He added that the guaranteed loan program frees FmHA staff to focus on supervised credit with direct loan borrowers and rural development efforts. Mr. Johnson said FmHA is planning to enhance the guaranteed loan program with a unilateral assistance program to provide loan guarantees to farmers who would not otherwise be eligible.

John Harman, Director of GAO's Resources, Community and Economic Development Division expressed skepticism that direct loan borrowers would be able to obtain guaranteed loans. As a result, direct funding will have to continue, even though the administration's budget requests call for reduced funding. He cited several GAO findings which raise questions about the effectiveness of the guaranteed loan program:

—Very few direct loan borrowers are switching to guaranteed loans. Most guaranteed loans are made to private sector lenders' existing clients who had become financially stressed. As a result, continued direct loan financing will likely be required if existing direct loan borrowers are to stay in business.

—Guaranteed loan losses are increasing at a faster rate since 1984 than has the amount of guaranteed loans. Also, the increase in outstanding principal for guaranteed loans has outpaced the decrease in that for direct loans; consequently, the government's overall financial exposure has increased.

—There is little incentive for borrowers to seek guaranteed loans because of the higher interest rates and the one percent origination fee. In addition, their poor financial condition deters private lenders from making loans to them.

—The guaranteed loan program suffers from the same management weaknesses as does the direct loan program, including inadequate oversight.

Randi Ilyse Roth, an attorney representing the Farmers' Legal Action Group criticized the lack of the right to loan servicing in the guaranteed loan program. Mr. Roth argued further that the joint appeals system in the guaranteed loan program is ineffective because it is rare that bankers are willing to appeal with farmers. Mr. Roth also criticized the program for:

—the requirement that principal be written down before interest when there is a write-down on a guaranteed loan;
—the lack of a provision for release of income;
—the requirement that farmers maintain a 10 percent cash reserve;
—the absence of a net recovery value buy-out program;
—the lack of notices to borrowers of loan servicing options.

Roth concluded with nine recommendations to continue the direct lending program and to make the guaranteed loan program more attractive to farmers and lenders.

On March 5, 1990, the Subcommittee met to hold its final hearing on the credit title of the 1990 farm bill. This hearing addressed the implementation of the Agricultural Credit Act of 1987 by the Farmers Home Administration.

Roland Vautour, Under Secretary for Small Community and Rural Development at USDA expressed USDA's interest in preserving the integrity of FmHA while recommending specific changes. His recommendations for what he considered weaknesses in the current legislation included:

—extending the recapture period for buy-outs to ten years;
—including a good faith requirement on net recovery buyout transactions and preservation loan servicing actions;
—limiting borrowers to one restructuring with write-down;
—eliminating eligibility for restructuring rights with debt write-down or net recovery buyout for loans closed after January 6, 1988;
—limiting debt forgiveness to $250,000;
—authorizing FmHA to consider all of a farmer's assets in determining write-down levels;
—authorizing FmHA to offer inventory property to the previous owners with buy-back rights at the appraised market value rather than the capitalization value;
—allowing the use of random selection for the selection of purchasers of inventory property decided by the county committees;
—allowing borrowers 60 rather than 45 days to arrange buyout financing and FmHA 90 rather than 60 days to process loan servicing applications.

James Ebbitt, Assistant Inspector General for Audit at USDA's Office of the Inspector General discussed the Inspector General's audit of FmHA's loan programs. One of the audit's most significant findings was a loophole allowing borrowers who have not acted in good faith to participate without recourse in the net recovery buyout option. He endorsed legislation to close that loophole. Senator Conrad had asked OIG to review the loan histories of borrowers who have received large write-downs or write-offs of one million dollars or more and determine whether these borrowers would qualify for such large loans under FmHA's current programs and

lending criteria. Mr. Ebbitt reported on the results of this review. Many of these borrowers had either Emergency Disaster loans or Economic Emergency loans. Emergency loans constituted 88 percent of the debt at the time of the servicing action for those borrowers who received write-downs and write-offs of over one million dollars. These loans comprised 96 percent of the written down or written off amount. However, Congress has already sharply curtailed or eliminated these types of loans. Therefore, these borrowers would not be eligible for such loans today. Mr. Ebbitt also provided the Committee with statistics on: the family-size farm eligibility requirement; the ability of farmers applying for FmHA loans to get loans elsewhere; and the impact of land value depreciation.

John Harman, Director of GAO's Resources, Community, and Economic Development Division, discussed the preliminary results of GAO's investigation into FmHA's administration of the debt servicing provisions of the Agricultural Credit Act. His study on the implementation of the Act was based on the debt servicing actions of ten FmHA county offices in ten States. He provided an update of the restructuring activity that had taken place to date. Mr. Harman's study indicated that even after restructuring, many borrowers still show extremely low potential for cash flow. After restructuring, 49 percent of the borrowers had a debt-to-asset ratio of over 100 percent. After restructuring, 59 percent of the borrowers had a potential cash flow of $100 or less. He suggested that the Committee consider offering these borrowers more of a cash flow cushion.

GAO also considered the issue of whether the 1987 Act has been providing some kind of incentive for nondelinquent borrowers to become delinquent. A majority of borrowers in GAO's sample said there was incentive to become delinquent.

He also addressed their review, done at Senator Conrad's request, of sales of farm inventory properties. In GAO's sample, the average difference between the capitalization and market values was two percent.

Lynn Hayes, Minnesota Project Director of the Farmers Legal Action Group, focused on the administration's proposed changes to the 1987 act. She criticized the one-time write-down limitation and called for provisions allowing for exceptions. She confirmed GAO's assertion that loan restructuring is too tight to allow for an adequate cash flow cushion. Mr. Hayes also opposed the following USDA proposals: the $250,000 limit on write-downs and write-offs; the inclusion of all secured and unsecured assets in determining write-downs; the sale of inventory land at market value; and changes to the net recovery recapture agreement. Mr. Hayes also recommended that the focus of the administration's proposal to include good faith eligibility be narrowed by Congress.

Randolph Noland, President of the National Family Farm Coalition said the proposed $250,000 limit on write-downs contradicts the least cost alternative basis of the 1987 Agricultural Credit Act. He criticized FmHA for neglecting the cases of forty thousand borrowers. He asserted that FmHA is using its latest appeal regulations to overturn favorable appeal decisions. Noland was also concerned about: the sale of inventory land to the socially disadvan-

taged; the sale of inventory land at market value; and reappraisal of conservation easements.

Don Schieber, a wheat farmer from Ponca City, Oklahoma, testified that his credit problems were caused by the unrealistic repayment schedule on his Economic Emergency loan. He said he chose restructuring rather than bankruptcy to protect local businessmen with whom he had credit. He described his experience after accepting a buyout under the Agricultural Credit Act of 1987. He commented that his credit situation now is the same as it would be had he claimed bankruptcy because the recapture agreement eliminates his equity needed to qualify for private credit.

Mr. Schieber recommended that Congress provide funding to increase FmHA staff size and salaries.

Subcommittee on Agricultural Research and General Legislation

On June 9, 1989, the Subcommittee on Agricultural Research and General Legislation met to hear testimony on the state of agricultural research. Senator Daschle chaired the hearing and the following witnesses testified: Chuck Hassebrook from the Center for Rural Affairs; Dr. Neville P. Clark. director of the Texas Agricultural Experiment Station in College Station Texas; Michael Dunn, legislative director of the National Farmers Union; and Susan Bright, a farmer representing the National Family Farm Coalition.

Senator Daschle argued that the $1.2 billion budgeted by USDA for research in 1989 was inadequate. For example, research for low input alternative agricultural practices was allocated less than $5 million in 1989.

Chuck Hassebrook said Congress needs to define broad goals for agricultural research. These goals should focus on eliminating inequalities in rural and agricultural life by identifying ways for rural people to be self employed successfully. Congress should also focus on developing farming systems which improve human health and are less dependent on petroleum and petrochemicals. Further, Congress should ensure that regional priorities are consistent with national priorities by requiring annual reports from groups involved in developing them on both levels. Most importantly, he emphasized that Congress should not let research priorities be set by big business.

According to Neville Clark, the geographical diversity of agriculture in the United States makes it necessary for local experimental stations to develop local technology. However, this makes it difficult to get a big picture of agricultural research needs. Currently, the most pressing needs for agriculture research include sustainable agriculture and rural community issues, environmental concerns, food safety and international competitiveness.

Mr. Clark agreed that there is a need for priority setting on a national level. However, Mr. Clark emphasized biotechnology research rather than research into sustainable agriculture practices. He offered a proposal for a planning process involving a three dimensional base program from which areas for new national initiatives would be identified. Such a plan, would require researcher interaction on local, State and Federal levels.

Susan Bright testified that high technology research has not improved small family farm life. She stressed the need for a transition plan before Congress mandates low input sustainable agriculture practices.

Mike Dunn said the current focus of research indicates a trend toward what he called the "farm factory." Rather, the focus should be on making family farm operations profitable. He accused USDA of heading the move away from family farms. The Farmers Union proposal for redirecting research included: exploring alternative uses; determining the impact of chemical intensive agriculture; and researching non-chemical alternatives. Mr. Dunn also called for more strict payment limitations on research, and more input into research priorities from end users.

On June 20, 1989, the subcommittee met again to discuss establishing priorities in agricultural research programs. Senator Daschle chaired the hearing and the following people testified: Dr. Charles Hess, Assistant Secretary for Science and Education at USDA; Dr. William Marshall from Pioneer Hi-Bred International; Dr. Charles Benbrook from the NAS Board on Agriculture; Dr. Michael Phillips from the Office of Technology Assessment; John Harman, Director of Food and Agriculture Issues, GAO; Dr. Alice Pell, Department of Animal Sciences, at the University of Vermont; and Chip Morgan, executive vice president of the Delta Council.

Senator Daschle was concerned that declining federal funding for research is putting research priority setting in the hands of big business.

According to Dr. Hess, USDA's highest priority is water quality research. Another priority is the advancement of biotechnology. He said USDA has proposed increasing competitive grant money by over $12 million. The food safety budget would be increased by $5 million under the USDA's proposal.

Dr. Hess said these budget initiatives prove that the current system is working effectively. He testified that USDA relies on a Joint Council, (consisting of 25 voting members from land grant colleges, universities, and agency members) to develop research priorities. Each member of the council is selected by the Secretary.

William Marshall identified three factors that may require changes in the current system: increasing competition from overseas; growing environmental concerns; and biotechnology advances. The current system can only respond to the first factor.

In developing new priorities, Marshall urged the Committee to mandate the consideration of low cost, environmentally sound technologies. Biotechnology does not fit that description. Research should also focus on size-neutral technologies, alternative crops and an expanded agriculture curricula for students of agriculture. He warned the Committee that agriculture researchers increasingly are looking for funding from corporations because funding provided by the federal government is insufficient.

Dr. Charles Benbrook testified that research dollars should be divided up between funding for pressing initiatives and routine research areas. He criticized USDA's failure to fund new initiatives in a timely manner. He argued that there is not enough planning flexibility to redirect money to new areas. While there is plenty of

consensus on what agriculture research priorities should be, it takes the administration two to three years to respond with budgetary shifts.

Michael Phillips testified that the budgetary responsiveness of the administration varies. USDA responds quickly to the need for increased competitive grants, and slowly to the need for alternative agriculture practices. Individual States have had to make up for the decline in Federal support. Also, as the private sector is becoming more involved, joint arrangements between land grant colleges, universities and the private sector, especially in biotechnology, are becoming increasingly common. These changing dynamics make the chances of matching regional research initiatives with national priorities slimmer. Mr. Phillips stressed the need for increased debate in the public sector about what projects should be eliminated in order to make room for new initiatives. Finally, he called for improvements in the decision-making processes of the Joint Council and the Users Advisory Board.

John Harman testified that a 1977 GAO report calling for an agency-wide long range plan for agriculture research at USDA, which was reinforced by Congressional directive in 1981, seems to have improved the decision-making process at USDA.

Dr. Alice Pell explained how changes in agriculture research funding have affected her work. She has seen Hatch funding dwindle, and finds herself spending more time writing proposals than conducting research. She has given up trying for the USDA competitive grants because there are no provisions for young investigators. She said researchers in her position have two options, they can shift to an area where funding is readily available or they can obtain industrial funding. In this context, the direction of research becomes increasingly determined by the availability of funds rather than a researcher's ability to make a significant contribution.

Chip Morgan stressed the importance of agriculture research to keep U.S. agriculture competitive. He urged the Committee to focus on rural development.

The Subcommittee met again on July 27, 1989, to examine ways to redirect the focus of the agricultural research system. Senator Daschle said the focus of agricultural research should no longer be on increasing production, but on alternative uses for crops.

The first panel consisted of Dr. Keith Houston, director at large of the North Central State Agricultural Experiment Station in Wooster, Ohio and Dr. Norman Scott, vice president of Research and Advanced Studies at Cornell University.

Dr. Houston testified that State funding has stagnated at 1970 levels while Federal levels have declined. This stagnation is weakening U.S. competitiveness, he argued. Another result of low Federal support is that university researchers are looking to industry for funding, which means they are doing applied rather than general research. Dr. Houston argued that formula funding is needed to establish a balance between Federal and State research objectives.

Dr. Scott agreed that the decrease in competitive grants is upsetting the balance between fundamental and applied research. He argued for the need to emphasize production research and explore

alternative research problems. He added that more research areas need to be included in the competitive grants program.

The second panel consisted of Dr. Patrick Jordan, Administrator of the Cooperative State Research Service at USDA, Dr. Gary Jolliff, professor of crop science at Oregon State University, and Mr. Todd Sneller, administrator of the Nebraska Gasohol Committee.

According to Dr. Jordan, USDA sees a need for an increase in funding for developing new products in agriculture. He said four regional agriculture laboratories are looking at alternative crop usages, such as "Super Slurper," a moisture absorbing material made from cornstarch, and biodegradable plastics from unrefined corn. USDA is also developing new crops, including: Lesqueralla, Cupyhea, Kenaf, and Guayule. In response to a query by Senator Daschle, Dr. Jordan said the current USDA budget for new products and crops research is about $110 million.

Dr. Jollif emphasized the importance of new crop development. He said crop diversity is the only thing that will keep farms in business. He accused USDA of slowing progress by not investing in new crop research and resisting Congressional initiatives to make the system more responsive. He urged Congress to take responsibility for changing the current system of assigning priorities to research initiatives.

Dr. Sneller, who has been involved in alternative uses for ethanol said there is not enough information on the State level about available research funds, causing redundant research. He suggested funding for the development of a centralized clearing house.

On February 8, 1990, the Subcommittee heard testimony on grain quality issues. Senator Daschle said poor grain quality has been hurting U.S. competitiveness in world markets. He added that the U.S. grain industry needs legislation to reshape the incentive system. In response to that need, Senators Daschle, Bond, Kerrey, and Leahy have introduced S. 1977 "The Grain Quality Incentives Act of 1989".

The first panel of Federal officials included Jo Ann Smith, Assistant Secretary for Marketing and Inspection Services at the Department of Agriculture and Philip Christenson, Assistant Administrator for Food for Peace and Voluntary Assistance at the Agency for International Development.

Mrs. Smith stated that while USDA supports many of the goals of S. 1977, the Department could and would like to accomplish them under existing legal authorities. She called for more research rather than immediate action on the grounds that the problems are diverse and complex.

Mr. Christenson said many grain quality problems arising in conjunction with foreign assistance stem from a lack of communication between exporters, government officials, and end-users. His organization is looking for ways to create a more commercial relationship with users through the Public Law 480 program.

The second panel consisted of foreign buyers of American grain: representing the Soviet Union were Michael Ageev, Vice President of Exportkhleb (the official Soviet grain purchasing agency) and Ivan A. Shestopalov, Chief of the State Inspection for Plant Quarantine Administration; and speaking for the European Community

oilseed processing association, FEDIOL, was Paul Vervaeke of Izegem, Belgium.

Mr. Ageev testified that although his organization has had a good working relationship with U.S. exporters, he complained of unclean grain with too many broken kernels. It is his experience that U.S. wheat has higher levels of foreign material than that of any other major supplying country. Additionally, neither U.S. corn nor sorghum has uniform quality. However, soybean shipments are generally acceptable. Mr. Ageev suggested that cleaner grain might help solve another problem related to insect infestation. Shipboard fumigation with phosphine has eliminated serious past problems of live insect infestation, but there are complaints in the U.S.S.R. about health hazards when cargoes are unloaded. He argued that Australia ships grain without infestation or the need for shipboard fumigation. He warned the Committee that unless the quality of grain improves, the United States will be the first to be cut when the U.S.S.R. reduces its grain imports in the upcoming years, as it fully intends to accomplish.

According to Mr. Shestopalov another serious problem with U.S. shipments is contamination with quarantined weed seeds; 95.6 percent of the shipments were contaminated in 1989. He said wheat and soybeans are the biggest culprits. Cleaner grain would help reduce this problem.

Mr. Vervaeke said European processors are looking for soybeans with high oil content, a low fatty acid level, low moisture levels and high protein levels. He said the cost in the United States for this quality is not competitive with that of other countries. U.S. standards for foreign material content and damage levels are too generous for FEDIOL's quality standards. Mr. Vervaeke questioned why the advanced technology of the United States grain marketing industry could not be used to ensure high quality instead of always blending to reach the maximum tolerance for damage, defects, and foreign material.

The third panel consisted of the following export promoters: Gary Riedel, a farmer and vice president and chairman of the international marketing committee of the American Soybean Association; Steve McCoy, president of the North American Export Grain Association; and Winston Wilson, president of U.S. Wheat Associates.

Mr. Riedel expressed support for the Daschle bill. He complained that the current allowances for foreign material are too high. He argued that changes need to be make so that foreign buyers can receive the high quality produced by most farmers.

Mr. McCoy cited the large volume of U.S. grain exports as testimony to adequacy of U.S. grain quality. He noted progress is being made to improve grain standards by claiming that the Grain Quality Workshops have made forty to fifty suggestions to FGIS since 1986. He added that the number of official complaints filed by foreign buyers with FGIS has declined over the past few years. He argued that further proposals for change in the industry must be measured against cost. He would prefer market oriented change to government regulation, although he was not opposed to a broad congressional policy mandate on grain quality.

Mr. Wilson said that despite important progressive steps taken in recent years such as accurate reporting of dockage and protein, there is room for improvement in the quality of U.S. wheat exports. Most important is achieving a reduction in dockage. Also, damaged grain needs to be isolated from sound grain, and the ship loading plan needs to be statistically unbiased between seller and buyer. He felt U.S. wheat producers are committed to quality and recognize that improvements will mean costs to them. What they want is assurance that their actions to improve quality will result in more satisfied customers.

On February 22, 1990, the Subcommittee met again to hear testimony on Senator Daschle's and Senator Bond's grain quality bill. The first panel consisted of the following grain growers and handlers: Ron Swanson, a farmer and vice president for research, National Corn Growers Association; Arvid Hawk representing the National Grain and Feed Association; Erving Friehe, a farmer and chairman of the Nebraska Wheat Board; and Dr. Charles Hurburgh of Iowa State University.

According to Mr. Swanson, the National Corn Growers Association believes that grain standards should promote the retention of grain quality throughout the marketing process. He said that legislation should not micromanage grain standards, but should provide a "framework" of goals and objectives for grain quality. He felt that several elements of the pending grain quality legislation would be useful in this regard and should help improve the quality of grain reaching the ultimate user. However, he had questions about other parts of the legislation that the Corn Growers would like to see clarified and possibly modified before final enactment. Further, FGIS should develop more exact testing methods to respond to the needs of end-users. He also stressed the need for increased communication between producers and the grain industry.

Mr. Hawk pointed out that the cost of reducing broken kernels and foreign material would add up to five hundred thousand dollars per elevator; a net additional cost of a nickel a bushel. Further, the dockage requirements contained in the Daschle bill would double loading costs. He argued that farmers cannot accept the burden of those changes unilaterally.

Mr. Friehe testified that current standards are out of date and inconsistent with accepted international quality standards. He supported the proposed prohibition of blending low quality wheat grading less than No. 3 with high quality wheat, as well as most other provisions of S. 1977.

Dr. Hurburgh cited a history of poor U.S. grain quality and attributed it to the lack of proper incentives. The issue, he argued, is whether U.S. grain quality generally is competitive; better standards would assure that. Dr. Hurburgh emphasized the need for research into ways to develop consistent quality other than by increasing regulation at the elevator level.

Senator Boschwitz interjected that he supported the provision of the bill that calls for a cost-benefit analysis of improving grain quality. He was especially interested in finding out who pays for higher quality in other exporting countries. He was concerned that, by making standards more complex, Congress would force the grain companies to pass increased costs down to the farmer.

The second panel focused on grain cleanliness issues. Testifying were: Reggie Wyckoff, a farmer and spokesman for the National Association of Wheat Growers; Loren Doll, chairman of Irsik and Doll Feed Services, a grain warehouse and merchandising company headquartered in Cimarron, Kansas; and Terry Deitrick, a farmer and vice president of the Oklahoma Farmers Union.

Mr. Wyckoff was generally supportive of the general goals of S. 1977 and some specific provisions, but felt other provisions would result in burdens on producer income that would exceed the benefits. He favored: a benefit-cost study of tighter grain standards; better Federal interagency coordination; and, an unbiased cargo loading plan. His greatest concerns were with: a requirement that U.S. grain standards be as tight as our competitors; a possibly too stringent a requirement on cleanliness; and limitations on blending.

Mr. Doll was critical of the current grain marketing and grading system. He claimed that domestic users effectively acquire the best and cleanest grain, routing the remainder to export markets. He agrued that the U.S. practice of blending low quality and unclean wheat with higher quality wheat has resulted in the loss of markets all over the world. In this system the producer is powerless to make change and must turn to the Federal Government to set standards that will satisfy the end users, he stated. In answering who will pay the costs of improved quality, Mr. Doll asserted that the costs are already incurred through lost markets, lower prices, and the need for increased farm and export subsidies.

Mr. Deitrick stated that current Federal farm policy and established grain marketing practices encourages producers to pursue quantity rather than quality. Solutions should include restricting blending of lower quality grain (below grade No. 3) with higher quality grains.

The third panel focused on end-use performance consistency problems. Testifying were: Randy Marten, for the American Bakers Association; Dr. Fred Cholick, a wheat breeder at South Dakota State University testifying for the National Wheat Improvement Committee; and Andrew Whisenhunt, a farmer and president of the Arkansas Farm Bureau.

Mr. Marten said the proposal to base quality requirements on the needs of end-users should include domestic as well as foreign users, because domestic users also are seeing a decline in the intrinsic performance quality of wheat. By not focusing on end user needs, he said, the wheat industry is causing bakers to look elsewhere for the kind of wheat they need. Further, he argued, domestic research and plant breeding have been focusing on increased yields to the detriment of the milling and baking quality of wheat.

Dr. Cholick argued that to focus on varietal proliferation as the cause of baking performance problems overlooks the profound impact of environmental variation. He believes there is need for substantially more research on intrinsic performance characteristics.

Mr. Whisenhunt maintained that grain quality, prices and standards are closely linked. Thus, substantial care should be taken in making modifications to the standards. More applied and basic re-

search is needed, and then changed to standards should be made through the regulatory process.

On March 22, 1990, the subcommittee met to hear testimony on Senator Leahy's proposed legislation on organic food certification. As a basis for discussion, the Committee used S. 2108, the Organic Foods Production Act. S. 2108 was introduced by Senators Leahy and Daschle and eight other members of the Committee.

Senator Alan Cranston testified that in his State, where over one-thousand two hundred farmers farm organically, certification is especially critical. He said that while he supports S. 2108, California farmers have reservations about a proposed national list of materials available to organic farmers. He called for more research into organic production systems before such a list is compiled.

Roger Blobaum, representing the Center for Science in the Public Interest presented the Subcommittee with one hundred and thirty six thousand petitions from people calling for a National organic program. The Center for Science in the Public Interest supports S. 2108 with a few reservations and suggestions. Mr. Blobaum criticized the bill for giving too much discretion to USDA. He recommended that minimum standards be set with allowances for States to adopt more stringent ones. He also recommended a more dynamic national list based on whether an input or practice would cause health or environmental problems.

The first panel consisted of the following representatives of organic food organizations: Faye Jones, representing the Organic Farmers Associations Council and the Organic Foods Production Association of North America; Mark Retzloff, representing the Organic Foods Alliance; and Allen Rosenfeld representing Public Voice and the Organic Foods Act Working Group.

Faye Jones supported the broad objectives of S. 2108. She said that national standards are needed to promote interstate trade. She agreed with Mr. Blobaum that the current national list is not accurate. Further, she argued, USDA should have no direct involvement in certification. Federal agencies should only have oversight responsibilities. Ms. Jones was also opposed to the implementation of promotion programs at this time.

Mark Retzloff testified in support of the legislation. He requested that the phrase "organically produced" be changed to "organic" throughout the legislation. He opposed the residue testing scheme based on the EPA established residue levels. Mr. Retzloff also called for a strong promotion program.

Allen Rosenfeld supported S. 2108 with some reservations. He recommended an independent board to revise and maintain the national list. He argued that no synthetic substances be allowed on the list. He criticized some provisions for being too vague to be enforceable, such as acceptance levels for toxic natural substances. Further, he said there is excessive representation of organic industry people on the National Board, which will reduce the Board's credibility.

Before the testimony of the final panel, James Hightower, Commissioner of the Texas Department of Agriculture, testified in favor of the organic legislation. Hightower told the Committee that there has been a 30 percent increase in the demand for organic produce in his State. He said consumers are buying organic

produce in-season because the prices are competitive. He argued that prices will go down when supply goes up. He stressed that as the first organic legislation, this bill should allow for some flexibility. Specifically, States should be able to administrate programs on a local level.

The final panel consisted of James Wiers, representing the United Fresh Fruit and Vegetable Association, and Harold Alston, representing the Food Marketing Institute.

James Wiers said consumers would be confused by organic labels that vary from State to State. He approved of a national list, but opposed provisions that allow USDA to add chemicals to that list. He asked that more academics be included on the initial organic standards board.

Harold Alston said the lack of national standards is the biggest obstacle to greater market penetration for organic foods. He stressed the need for a trustworthy inspection system free from conflict of interest. Consumers assume that organic means absolutely no chemicals so labels should reveal levels of chemical content. He recommended a verifiable standard of no detectable residues rather than the 5 percent of the EPA tolerance level proposed in the legislation. He also pointed to the problem of consumer frustration with an insufficient and unreliable supply of organic foods.

On March 28, 1990, the Subcommittee met to discuss the threat of noxious weeds to the ecosystem and the environment. According to Chairman Daschle, the Federal Noxious Weed Act of 1974 has provided only partial protection against noxious weeds. Senator Daschle said he plans to introduce legislation to correct the deficiencies of the 1974 Act.

Witnesses on the first panel offered State and Federal views on the noxious weeds issue. Testifying were: James W. Glosser, Director of Animal, Plant, and Health Inspection Services (APHIS) at USDA; Dr. Howard Singletary from the North Carolina Department of Agriculture; and Dr. Don Schmitz from the Florida Department of Natural Resources.

James Glosser testified that the USDA noxious weed management policy facilitates cooperation between Federal, State and private efforts. Specifically, APHIS' efforts focus on the most potentially difficult species. Mr. Glosser maintained that APHIS' biggest problem is defining what constitutes a noxious weed and establishing priorities for control. He recommended that any future definition should include only the most harmful weeds for which there is technology to control. Biological control is the most effective, he argued and the least damaging to the environment. However, he said any control program must be supplemented with herbicides, cultural controls, and sound land management practices.

Daschle asked Mr. Glosser why the noxious weeds advisory group has not met since 1983. Mr. Glosser answered that budgetary restrictions prevent the group from being active.

Dr. Singletary, who is chairman of the Weed Science Society of America, said 10 to 15 percent of total farm and forest production in the United States is lost to weeds. He said most problems come from the introduction of foreign noxious weeds, but the infestation is never recognized until the damage is done. Because of this, he said, proactive strategies are needed.

Don Schmitz agreed that most noxious weeds are imported as exotic plants. Although Florida has been successful in preventing businesses from introducing new exotic plants, Florida cannot stop them from coming through interstate mail. Florida is currently threatened by Malaleuca trees which are jeopardizing the Everglades. He complained that the present system has not been successful in stemming the infestation. He asked that USDA be given emergency power to designate a plant a noxious weed, and that the noxious weed list be made more dynamic.

The final panel consisted of the following representatives from environmental and commodity groups: Susan Cooper, National Coalition Against the Misuse of Pesticides; Jay Vroom, National Agri-Chemical Association; Faith Campbell, National Resource Defense Council; and Reeves Petroff, weed control supervisor in Gallatin County, Montana.

Susan Cooper argued that chemicals are not the answer to noxious weed control. She said the emphasis should be on prevention and biological control.

Faith Campbell testified that alien plants make up twenty percent of wild plants in in the United States. She warned that they are changing the ecosystems in National parks. Because current techniques are too labor intensive and expensive, she argued that biological control agents may be the best solution. She called for a fully funded Federal program for educational and research purposes.

Reeves Petroff recommended the Montana Noxious Weed Control Act as a model for a national program.

The Subcommittee held its final hearing in preparation for the 1990 farm bill on March 29, 1990, to discuss the proposed research title of the 1990 farm bill. Senator Daschle said the objectives of the proposed legislation were threefold: to improve priority setting and technological assessment of publicly funded agricultural research; to enhance the competitive research program while maintaining formula funding; and to provide for research programs in neglected areas. Testifying on the first panel were Dr. Charles Hess, Assistant Secretary for Science and Education at the Department of Agriculture and Charles Hassebrook from the Center for Rural Affairs.

Dr. Hess presented the administration's research proposal, called the National Research Initiative (NRI). The NRI would be funded at 100 million dollars in 1991 with up to 50 million dollars for the out years. The NRI proposal would expand the availability of competitive grants; increase funding for low input sustainable agriculture (LISA) in 1991; and provide specific language on environmental issues and food safety. Dr. Hess said USDA is looking for language to clarify its role in environmental education. He said USDA's research efforts will focus on alternative uses for agricultural products and biogenetic engineering.

Mr. Hassebrook criticized USDA's process of allocating agriculture research dollars as being short sighted. He said the 1985 directive for USDA to target research at small and moderate size farms through extension programs has failed. He applauded S. 2259 for setting appropriately broad purposes for agriculture research, especially with respect to competitive grants. However, he recommend-

ed that provisions establishing procedures for directing the use of formula funding be strengthened. As had most other witnesses, Mr. Hassebrook said the make-up of the Advisory Board and Joint Council is imbalanced.

Dr. Jim Davidson, dean of research and director of the Florida Experiment Station at the University of Florida, and Dave Dyer from American Farmland Trust testified on the second panel.

Dr. Davidson said the national research program should not only focus on making American agriculture competitive in the world market, but should also be directed at developing environmentally safe methods of production. He argued that current State and Federal funds are not sufficient to do both. He recommended that the Daschle bill include the proposals of the National Research Council Board on Agriculture. Dr. Davidson also called for the creation of a national priority setting board with more balanced representation.

Dave Dyer testified for the following organizations: the Center for Resource Economics; National Audubon Society; Natural Resources Defense Council; National Wildlife Federation; the Sierra Club; Public Voice; the Institute for Alternative Agriculture; the Consumer Federation of America; and the Soil and Water Conservation Society. Dyer called for: increased funding for environmentally sound farming practices; integrated research efforts; and redirection of existing funds to high priority research and extension needs including biological controls and sustainable agriculture research projects.

The final panel consisted of: Donald Uchtmann, director of the Illinois Extension Service at the University of Illinois; Fred Kerschenmann, a farmer from Windsor, North Dakota; and Mary Grim, president of the Committee on Agricultural Research and Extension Teaching.

Donald Uchtmann recommended the Illinois system as a model for a national program. He said the program hinges on communication between extension and research groups. Fred Kerschenmann, who has been farming with alternative methods since 1977 said he has developed a successful network with other alternative agriculture farmers. He said there is consensus among his colleagues that the focus of research efforts should be on making alternative agriculture practices more profitable. This could be done by narrowing the gap between farmers and researchers.

Mary Grim recommended that the Committee begin its priority setting by considering the needs of small farmers.

Subcommittee on Conservation and Forestry

On June 22, 1989, the Subcommittee on Conservation and Forestry, chaired by Senator Fowler, met to hold its first hearing on conservation issues in preparation for the 1990 farm bill. The purpose of this hearing was to hear testimony on ways to reconcile agriculture practices with environmental concerns.

Edward Goldsmith, editor of The Ecologist, testified that modern agricultural methods will not eliminate world hunger for three reasons. First, Third World people cannot afford the costs of high input agriculture. Second, if they did adopt modern agricultural practices, Third World countries would have to offset the cost by

exporting most of their products. Third, the already poor soil in these countries would be destroyed by modern agriculture practices. Goldsmith maintained that the world can only be fed by traditional agriculture methods geared to subsistence and sales to local markets.

Dr. Charles Hess, Assistant Secretary for Science and Education at the U.S. Department of Agriculture predicted that improved conservation practices in the future would include: an increase in forms of conservation tillage; development of soil-sensitive machinery; development of alternative agriculture methods; and reliance on biotechnology. He emphasized producer education and research, adding that advancements in alternative agriculture are hindered by rigid farm program base acreage requirements. He also outlined USDA's multi-agency initiative on water quality.

Senator Fowler said the water quality effort at USDA lacks high level direction and strategy. USDA has admirable plans, he said, but he there is little evidence that the plan is working. In particular, he criticized the lack of coordination between State and field offices.

The first panel of the hearing consisted of Dr. Charles W. Laughlin, associate director of the Georgia Agricultural Experiment Stations; Margaret Krome, director of the Sustainable Agriculture Program in Madison, Wisconsin; Dr. Bob Darst, vice president of the Potash and Phosphate Institute; and Teresa Maurer, co-program director and research coordinator of the Kerr Center in Poetau, Oklahoma.

Dr. Laughlin testified that modern farmers have become dependent on high input agricultural practices because they have not only eliminated some of the drudgery of farming but have also reduced the risk associated with crop and animal production and helped meet the demand for a cheap world food supply. Because current production systems are so complex, he said the transition to sustainable agricultural practices must come through evolution rather than revolution. The effort will require coordination between farmers, conservationists, scientist and educators. He said that while low input sustainable agriculture is a good first step, Federal dollars in support of such programs should be raised to meet State contributions.

Margaret Krome works for a private organization which helps farmers implement alternative agriculture practices. She testified that the focus of sustainable agriculture should be on creating healthy rural communities. Ms. Krome said the provisions of Senator Fowler's conservation bill are consistent with those goals. Ms. Krome emphasized the need for research on low chemical, low purchase inputs, and less capital intensive, more management intensive farming strategies for small farmers. Ms. Krome also agreed that LISA is underfunded.

Robert Darst testified that his institute provides funding for agronomic research to develop best management practices through optimal use of fertilizers. Farmer profit, balanced by environmental concerns, are his top priority.

Teresa Maurer testified that the mission of the Kerr Center is to educate farmers about sustainable agriculture practices. Her research focuses specifically on looking for ways to replace purchased

inputs with skilled labor. She said the majority of her clients are concerned about water pollution and soil erosion. She argued that current programs do not provide enough incentive for cooperation between agricultural institutions and private organizations. She added that farmer participation in the trend toward alternative agriculture practices is limited by the distance between farmers and research institutions as well as financial and labor constraints.

The second panel consisted of James Lee Adams, president of the American Soybean Association; Don Klor, president of the Illinois Sustainable Agriculture Society; Dean Kleckner, president of American Farm Bureau Federation; and Dallas Tonsager, State president of the National Farmers Union in Oldham, South Dakota.

James Lee Adams said that farmers are doing as much as they can in terms of low input agriculture with the information they have. He said low input practices need not be regulated by government because total elimination of chemicals would be disastrous. If LISA is going to work, he added, it has to be proven profitable. He called for more applied and basic research into biotechnology.

Senator Fowler agreed that government sponsored education must be enhanced because farmers are getting all their information from fertilizer producers.

Don Klor expressed his support for the Fowler bill. He stressed that while LISA is working, farmers do not have enough incentive to experiment with alternative practices. He argued that the cost of alternative practices would not be so onerous if there were more farmers to share it. He also argued that farmers venturing into alternative agriculture should have some kind of base protection plan. Dean Kleckner was also supportive of the Fowler bill. He was critical of LISA, claiming that there is an overt anti-chemical bias in the program. He argued that the current integrated pest management and best management programs are more appropriate. Kleckner requested that biotechnology have priority in research efforts. He also expressed his support for an increase in competitive grant programs.

Senator Fowler emphasized that LISA does not mean getting rid of all chemicals and fertilizers. He pledged to work to make it worthwhile for the farmer to accept alternative agriculture practices.

Dallas Tonsager said environmentally sound farming must be based on less intensive practices. He recommended returning to crop rotations with legumes. Mr. Tonsager also discussed the problem of the disposal of unused chemicals and expressed his approval of the ground water provisions contained in the Fowler bill.

Testifying on the third panel were Dave Williams, farmer and Chairman of the District Soil Commission, in Villisca, Iowa, Bill Bryson, a farmer from Alden, Minnesota and Bob Gray of Resource Consultants.

Although Bob Williams said he supports a farm policy which encourages low input production, he criticized the lack of a specific definition of LISA. To him, LISA means farming while reducing soil erosion, improving groundwater and food quality. He encouraged strengthening the conservation title by expanding CRP acreage and increasing funding for SCS.

Bill Bryson called for the expansion of the swampbuster, sodbuster, CRP and Conservation Compliance provisions of the 1985 conservation title. He argued that wetland criteria needs to be defined in 1990 farm bill. On the subject of ground water protection, he said the focus should be on prevention because treatment is too expensive.

Bob Gray also identified problems with the definition of LISA. He argued that although farmers have a great interest in they need to know how to go about it profitably. He said USDA should be responsible for educating farmers.

Bob Beck, manager of training and laboratory technology at Cenex/Land O'Lakes, Dr. Jack Early, president of the National Agriculture Chemicals Association and Jake Redmon, president of the Agriculture Chemical Association of Georgia provided testimony from the agri-chemical producer's perspective.

Bob Beck said his laboratory's objective is to look for the biggest profit for farmers; specifically, he rates products based on their value to farmers. He recommended that a model on the Federal level be developed based on the Benchmark Soils Project.

According to Jack Early and Jake Redmon, the world demand for food continues to require farming practices which produce high yields at low costs through the use of chemicals. Further, Dr. Early argued, farmers will not accept low input sustainable agriculture practices until crop profits with these methods exceed LISA's production costs. Mr. Redmon added that while he would oppose any comprehensive blanket reduction goals for the use of agricultural chemicals, he approved of integrated pest management and best management practices.

On March 1, 1990, the Subcommittee on Conservation and Forestry met to consider the proposed forestry title of the 1990 farm bill. Chairman Leahy pointed out the special significance of these hearings. This was to be the first forestry title in a farm bill. The purpose of this first hearing was to explore ways to strengthen the partnership between Federal, State, and local forestry programs. Subcommittee Chairman Fowler noted that long-term planning and management strategies are needed to reverse the current trend where harvesting exceeds growth.

Senator Thurmond noted that Hurricane Hugo devastated South Carolina's forests in 1989. The Senator encouraged the Committee to assist private landowners by supporting the Hugo Forestry Reforestation Act.

The first panel consisted of the following representatives from USDA: Patricia Kearney, Acting Assistant Secretary for Natural Resources and the Environment; F. Dale Robertson, Chief of the U.S. Forest Service; Allen West, Deputy Chief, State and Private Forestry; and Tony Dorrell, Director of Cooperative Forestry.

Assistant Secretary Kearney outlined the President's "America the Beautiful" program. The program's forestry component is comprised of two parts. The first part calls for a tree planting and forest improvement program in rural areas through a 50/50 cost share program. The second part calls for a volunteer community tree planting program. The program will also establish a non-profit foundation to mobilize volunteers for the community program. To implement this plan, USDA will need legislation authorizing the

foundation. The tree planting program can be implemented under current authority.

Senator Fowler noted that USDA's goals are inconsistent with existing State and private forestry programs where proposed budget cuts are made for forest management and utilization and pest and fire control. Assistant Secretary Kearney responded that these proposed cuts could be met by shifting responsibility to the private sector.

Senator Daschle asked how the Conservation Reserve Program (CRP) would fit into the "America the Beautiful" program. The USDA proposal is to expand CRP up to 40 million acres. Senator Daschle would like to target extra acreage toward wetlands, shelter belts, wildlife habitat, and water quality, but noted that these types of activities where not mentioned in the tree planting program.

Robert C. Gordon, general manager of Wood Products Exports at Georgia-Pacific, spoke for the National Forest Products Association (NFPA). NFPA supports reauthorization of the Targeted Export Assistance (TEA) program at $325 million annually. They oppose legislation for new guidelines in the industry, but support the GSM 102 program and recommended that the cap be raised to 7 billion. Gordon also asked Congress to clarify the role of forest products in GSM 102, 103 and P.L. 480 programs.

The second panel consisted of Dr. Larry W. Tombaugh, president of the National Association of Professional Forestry Schools and Colleges, and dean, College of Forest Resources at North Carolina State University, and Dr. Albert R. Vogt, director of the School of Forestry, Fisheries, and Wildlife at the University of Missouri.

The National Association of Professional Forestry Schools and Colleges (NAPFSC) asked that a specific subtitle be added to the Research Title, Title XIV, to address forestry. This subtitle would clarify the Secretary's authority to conduct education, research, extension, and international programs for conservation and commodity aspects of forestry; and funding for specific programs at forestry schools.

Mr. Vogt supported NAPFSC's recommendations. Mr. Vogt also raised his concern about the President's proposed cut in forestry research programs, specifically the McIntire-Stennis program. This proposed cutback is particularly troublesome in that forestry school enrollment is up because of increased environmental concerns. Mr. Vogt recommended that McIntire-Stennis appropriations be restored and increased to $18.36 million.

The final panel consisted of: Bill Moody, state forester of Alabama; R. Montgomery Fischer, New England regional executive of the National Wildlife Federation; James E. Neal, southern extension forester at the University of Georgia and R. Neil Sampson, executive vice president of the American Forestry Association.

Mr. Moody supported the forestry title as a great idea and recommended that it include: forest stewardship; forest protection; urban and community forestry; rural development; and environmental education. Mr. Moody noted that the National Association State Forester's proposed forestry title is also based on these priorities. The Alabama Treasure Forest Program could serve as a model for cooperation between the public and private sector. Mr.

Moody closed by stating that the proposed forestry title should be administered by the USDA Forest Service.

Mr. Neal asked that the title support the Renewable Resources Extension Act (RREA). Senator Fowler asked whether the President's proposed 50/50 cost-share was adequate tree planting assistance. Mr. Neal believed it was not. Mr. Neal also noted that RREA currently receives more financial support from non-Federal government entities.

Mr. Sampson stated that landowners need better incentives to plant trees. The Conservation Reserve Program is not working well in many regions of the country. He added that there also needs to be a stronger focus on urban forests.

Mr. Fisher was not able to appear before the Subcommittee, However, his statement was submitted for the record. Mr. Fisher's statement noted that the farm bill should promote a stronger Federal, State, and local working relationship; environmental and economic education; and expanded financial incentives for forest lands with special environmental and economic characteristics.

On March 29, 1990, the Subcommittee met to consider the conservation title of the farm bill. Senator Robert Kasten from Wisconsin appeared before the Subcommittee to express his concern that the 1985 Swampbuster provision has not been adequately enforced. Senator Kasten also emphasized the importance of ensuring that conservation compliance goals are achieved in the new legislation.

Senator Strom Thurmond from South Carolina said the recent Hurricane Hugo disaster testifies to the need for forestry legislation. Senator Thurmond urged the Subcommittee to model its work on his recently introduced Hugo Forestry Restoration Act authorizing $100 million in aid to landowners for reforestation.

The first panel consisted of Lester Brown, president of the Worldwatch Institute in Washington DC, and Dr. Bruce Gardner, Assistant Secretary of Agriculture for Economics. Dr. Brown argued that the Committee's greatest responsibility would be to mandate environmentally sound agricultural practices in the upcoming farm bill. While the world's food and fiber needs makes it necessary to continue using pesticides, scientific decisions should be made about acceptable levels of use. In developing agricultural programs, Committee members should consider whether each program would contribute to the long-term sustainable productivity of the land. Specifically, climate change, tree planting, and soil erosion should be the Committee's greatest concerns.

Dr. Bruce Gardner called for modifications to the Conservation Reserve Program and the Swampbuster, Sodbuster and Conservation Compliance provisions to make them less administratively cumbersome. The USDA proposal for the conservation title includes maintaining CRP acreage at 40 million while targeting more of those acres toward environmental needs. In terms of achieving the 12.5 percent goal for tree planting on CRP land, Dr. Gardner said the Department is postponing any further action until the 1990 farm bill is completed. Dr. Gardner called for more research into low input sustainable agriculture practices before Congress mandates any specific practices. He said USDA is opposed to farmer record keeping on chemical use.

Senator Kerrey was concerned that the administration's proposal would squeeze out small farmers through alternative cropping system requirements or terracing requirements. He added that the administration's green book proposal does not provide true flexibility.

The second panel consisted of: Robert Warrick, a farmer and member of the Sustainable Agriculture Coalition in Nebraska; Doug Nebel, a farmer from Emerson, Nebraska; Frank Jones, chairman of the special committee on environmental issues of the National Cotton Council; Robert Wetherbee, president of the National Association of Conservation Districts; and Layton Hoysler, president of the American Society of Farm Managers and Rural Appraisers.

Robert Warrick said inflexibility is the greatest impediment to farmers implementing conservation plans. He recommended strengthening the 1985 conservation provisions by toughening Swampbuster and increasing CRP acreage up to 45 million.

It was Doug Nebel's complaint that the Soil Conservation Service's classification methods are inaccurate; he said new tests with modern methods are needed. He warned the Committee against mandating alternative agriculture practices until a way is found for farmers to afford it. He also said that commodity loan rates should be increased.

Robert Wetherbee's recommendations for improving the conservation title included: clarifying swampbuster definitions; making CRP payments more equitable; and increasing appropriations for technical assistance. He suggested cost sharing programs and education and technical assistance as a basis for any new programs. He insisted that increased regulatory programs and expansion of compliance will not work.

Frank Jones, speaking for the National Cotton Council, the National Association of Wheat Growers, the National Corn Growers Association, the American Soybean Association and the U.S. Rice Producers Legislative Group, offered a detailed proposal for the 1990 conservation title. Mr. Jones' recommendations included:

—maintaining the CRP minimum at 40 million acres with discretionary authority for the Secretary to assign ten million acres for environmentally sensitive areas;

—allowing farmers the option to re-bid their acres into the CRP after their contracts have expired for not less than 3 years and not more than 10 years while having their base acres protected;

—allowing producers to preserve their base history for not less than five years if they choose not to produce a crop on CRP land after their contracts expire;

—continuing conservation compliance rules with no change in the 1995 deadline;

—authorizing the Secretary to waive the 25 percent cap in certain counties;

—allowing farmers who choose to bring land out of CRP a reasonable time to develop a conservation plan;

—offsetting compliance regulations.

Mr. Jones' recommendations for the Swampbuster provision included:

—establishing a de minimis standard for the size of a wetland with a change to a graduated penalty;
—allowing exemptions from swampbuster for land that is farmed 6 out of last 10 years prior to 1985.

Mr. Jones recommended that wetland conversion should only be allowed in cases where another converted wetland can be restored.

Layton Hoysler supported the Cotton Council's proposal except that offsetting compliance should apply to renters and owners equally. He also added that options for wetlands should include a CRP-like wetland rental program or government purchase of long-term easements.

The final panel consisted of: John Turner, Director of the U.S. Fish and Wildlife Service; Marion Berry, a farmer from Gillett, Arkansas; Peter Berle, president of the National Audubon Society; Todd Herreid, vice chair of the Dakota chapter of the Sierra Club; and Cindy Deacon Williams, legislative representative of the fisheries and wildlife division of the National Wildlife Federation.

Regarding wetlands restoration John Turner recommended that at least 10 percent of any new CRP acres should go into wetland restoration. He argued that the current projects are inexpensive and successful. He also recommended long term easements for land going into the CRP. Further, he argued that new land that entered into the program should be restorable cropped wetlands and buffer areas with high wildlife values selected by the Soil Conservation Service and the Fish and Wildlife Service. He added that farmers should be allowed to do anything but crop that land, including grazing, timbering, hunting, and fishing.

Marion Berry, a rice and soybean farmer, asked for a CRP provision for permanent storage of surface water on CRP acres, including cost sharing and a low-interest loan.

Peter Berle argued that the swampbuster provisions must be strengthened by applying sanctions at the time wetlands are converted rather than when crops are planted on a converted wetland. He recommended that the swampbuster penalties apply for a 5-year period after a wetland has been converted so that farmers who drain wetlands could not get program benefits during this period. He said seasonal wetlands must be left in the 1990 legislation. Further, he argued that the two for one ratio will not work for wetlands because we do not know whether restoration really works. He approved of the 5 million acre level for the agricultural wetlands reserve program. Berle also said he sees potential conflict between the CRP and ARP because CRP has been more attractive and could detract from the ARP program. He also asked for conservation easements on foreclosed lands that go back to owners.

Todd Herreid said that the decline in the waterfowl population in the Dakotas testifies to the wetlands crisis. He said the current swampbuster language allows too much room for misinterpretation and needs clarification. He maintained that a violation should occur at the time of crop production rather than at the time of land draining or conversion. Further, the Fish and Wildlife Service should have enforcement authority. Like Berle, Herreid asked that farmers enrolling in programs should be required to comply with swampbuster and other conservation provisions for at least 5 years.

Cindy Deacon Williams stressed the need for a strong easement program to complement swampbuster. She said that the county enforcement system isn't working and that farmers need more funding for technical assistance to make wetlands decisions. She added that the Fish and Wildlife Service should have a greater role in the implementation of swampbuster.

Markup

Markup on the trade title of the 1990 farm bill began on April 4, 1990. The Chairman offered a draft of the trade title for use as the markup document.

Senators Leahy and Lugar offered two amendments. The first would require that debt forgiveness be made available only to those underdeveloped countries which agree, in conjunction with the International Monetary Fund, to make certain structural economic reforms. The second Leahy/Lugar amendment would prohibit the role of foreign country agents in P.L. 480 transactions. The amendment would give USDA the authority to charge reasonable user fees or to contract and hire specialists. Both amendments were passed without objection.

The following en bloc amendments were introduced and accepted on April 4: Senator Harkin on the Export Enhancement Program (EEP); Senators Pryor and Conrad on the sunflower seed and cottonseed oil assistance program; Senator Boren on the definition of unfair trade practices; Senator Daschle on the marketing assistance program, military distribution of food aid, and EEP; Senator Leahy on the multilateral trade negotiations.

Senators Kerrey, Baucus and Boren offered an amendment to raise the EEP minimum funding level during 1991 to $900 million and to remove the cap in that year. Senator Baucus offered an amendment allowing USDA to spend up to $325 million annually on the Marketing Assistance Program (formally TEA). Senator Baucus also offered an amendment to trigger in January 1990, a marketing loan for wheat, feed grains and soybeans or additional Export Enhancement bonuses if satisfactory progress is not made in the multilateral trade negotiations. All amendments were accepted without objection.

On April 5, the Committee continued with markup of the trade title. Senator Wilson offered an amendment to increase the minimum spending for the MAP program to $325 million, an increase over the proposed minimum level of $100 million. The amendment was defeated 17 to 1. Senator Daschle's amendments encouraging USDA to disseminate trade information through the extension services and State agricultural departments were passed unanimously. Senator Lugar withdrew his amendment regarding the Great Lakes setaside program because the Committee suggested that the issue would be more appropriately raised on the floor. The proposed title, as amended, was approved.

Before convening on the fifth, the Committee was briefed on the first three titles of the proposed draft of the research title of the farm bill.

On April 19, the Committee met again to complete markup of the research title. The Committee accepted en bloc amendments to Chapter I, including an amendment to raise the authorization level

for the Agricultural Research Service from $640 to $730 million. The Committee then accepted a substitute to the ground water research title (chapter II) which would eliminate 11 reports, add one report and remove two committees. En bloc amendments to chapter III (alternative agricultural research and commercialization), including amendments which enhance the authority of the Secretary over the Board created by this title, were accepted. Also accepted were: en bloc amendments to chapter IV, (the National Competitive Research Initiative) which alter the membership of the advisory review panels set up by the title and expand the competitive grant program; minor technical amendments to the global warming title (chapter V); a substitute to the Low Input Sustainable Agriculture Research and Education program (chapter VI) which clarify definitions of sustainable agriculture versus low input sustainable agriculture. Several amendments to chapter VII (miscellaneous provisions) offered by Senators Dole, Cochran, Boren, Kerrey, McConnell, Boschwitz, Leahy and Harkin were accepted. An amendment by Senator Helms to strike the entire text of the research title and replace it with the administration's proposal was defeated by voice vote. The research title was accepted as amended.

The Committee accepted the grain quality title of the farm bill without amendment.

On April 20, the Committee convened to consider the forestry title of the farm bill. Senator Leahy introduced the Forest Stewardship Act of 1990 as a vehicle for markup, noting that 1990 would be the first year in which a forestry title would be included in the farm bill. The following en bloc amendments were accepted: two additional findings to address semi-arid lands and agro-forestry needs; an amendment to ensure that the forestry stewardship incentives program be based on the purposes of the landowner; a "such sums" authorization for the legacy program; an amendment requiring the Secretary to report to the Committee on the use of Public Law 480 and related funds to assist in the promotion and export of wood products; an amendment authorizing a competitive grant program to implement the southern forest productivity research program and an amendment authorizing the Forest Service to do emergency reforestation in times of natural disaster.

Senator Gorton introduced an amendment to include a specific reference to Washington State in the forest legacy program language. The committee agreed to the amendment with the stipulation that staff would negotiate the specific language. Having agreed to the en bloc amendments, the Committee accepted the forestry title.

On April 24, the full committee met to mark up the wool and mohair and honey titles of the 1990 farm bill. The markup vehicle for wool and mohair, which was offered by Senator Daschle, proposed the continuation of the current program. Senator Lugar offered an amendment authorizing the Secretary to increase or decrease the support price of wool and mohair by an amount equal to the percentage increase or decrease in the established price for program crops in that year. Senator Daschle said he opposed the amendment because the current program has worked so far at no cost to the taxpayer. Further, he argued, wool should not be tied to

other program crops because they have little in common. After some debate, Senator Lugar's amendment was defeated 10 votes to 8. Senator Leahy suggested that the Committee visit a $50,000 payment limitation for wool and mohair in the miscellaneous title. Senator Daschle's proposal to extend the wool program was then accepted by voice vote.

The honey title proposed by Senator Daschle freezes the price support level for honey at 56.86 cents a pound for the 1991-1995 crop years. Senator Lugar offered an amendment to this title similar to the amendment he proposed to the wool and mohair title. He argued that the Secretary of Agriculture should have authority to adjust the honey price support levels in the out years. This amendment was also defeated 10 votes to 9. With the understanding that the price support level issue for honey would be visited at a later date, the Committee accepted the honey title without amendment.

On April 26, the Committee met to mark up the peanut title of the farm bill. The markup vehicle for the peanut title was a combination of the Heflin and Fowler peanut bills. The Committee's first action was to consider Senator Fowler's amendment to include language which had been left out by a drafting error. Senator Lugar insisted that the peanut program be made more consistent with other program crops. He offered an amendment to include the following USDA proposals: eliminate the cost of production escalator for the quota support rate; eliminate the current restrictions of the sale and lease of quotas; set the 1991 price support level at 90 percent of the 1985 support price.

Senator Heflin responded that peanuts do not fall into the same category as other program crops primarily because the peanut program has neither a target price or deficiency payments. Further, he argued, in addition to securing a sizable portion of the export market for the United States, the peanut program has made money for the government. Senator Lugar responded that he was not interested in eliminating the program; he said his purpose was to make the program less rigid. The Committee defeated Senator Lugar's amendment by a voice vote.

On April 27, the Committee met briefly to mark up the organics certification title of the farm bill. Senator Lugar said he would support the title because of the low cost of the bill. After en bloc amendments were accepted, the Committee accepted the organic certification title with the understanding that more amendments could be forthcoming.

On May 2, the Committee met to mark up the conservation title of the farm bill. The markup vehicle offered by the Chairman consisted of several new provisions: the Conservation Stewardship Program (CSP), which modifies the Conservation Reserve Program (CRP) and creates a Water Quality Incentives Program and a Wetlands Reserve Program; a technical assistance program for farmers complying with environmental requirements; a record-keeping provision for farmers using restricted-use pesticides; and a farmland protection provision. The markup bill also modified the conservation compliance and swampbuster requirements authorized in 1985.

The Committee considered and accepted the following en-bloc amendments: Senator Dole on changing the name of the CRP to the Environmental Conservation Acreage Reserve Program; Sena-

tor Cochran on providing a limited exemption to conservation compliance for owners of small garden plots; Senators Baucus and Fowler on reducing program payments to farmers haying or grazing land in the Integrated Crop Management Program option; Senator Harkin on excluding acreage enrolled in the Water Quality Incentives Program from the 25 percent county limitation; Senator Lugar on a technical matter; Senator Fowler on outreach to socially disadvantaged farmers; Senator Fowler on conducting a study of composting uses; Senator Leahy on the record-keeping requirements of the bill; Senator Conrad on pest control; Senator Daschle on acreage in the conservation reserve; and Senator McConnell on providing additional information and assistance to farmers enrolling in the conservation program.

Senators Fowler and Daschle offered an amendment directing the Secretary of Agriculture to make eligible for the CRP shelter belts, windbreaks, marginal pasture land and water quality-sensitive areas (renamed the Environmental Conservation Acreage Reserve Program). Senator Bond objected to the inclusion of marginal pasture land in the Daschle/Fowler amendment. He argued that enough trees have already been planted under the CRP in the Southeast. Senator Conrad agreed, stating that any more CRP land in his State would be economically harmful. Senator Bond argued further that once the President's National Tree Trust becomes law, it would provide farmers with sufficient encouragement to plant trees on pasture land. In this context, Senator Bond offered a second degree amendment leaving the enrollment of marginal pasture lands up to the discretion of the Secretary.

Senator Fowler urged the rejection of the Bond amendment, arguing that the immediate need to protect erodible land requires more than current legislation and the promises of a National Tree Trust Act can provide. Senator Cochran suggested a 40 acre limit on the amount of marginal pasture land the Secretary may enroll in CRP. Senator Daschle argued that the number of allowable acres should be left to the discretion of the Secretary as authorized in his amendment. Before further consideration of the limitation issue, the Committee rejected Senator Bond's initial amendment by voice vote.

After some debate over Senator Bond's concern that the Daschle/Fowler amendment would skew tree planting under CRP, Senators Lugar and Bond offered an amendment that would not only direct the Secretary to distribute contracts for tree planting on marginal pasture land equitably among different areas of the country, but also to make this land eligible for cost-share assistance and/or rental payments. Senator Fowler objected, arguing that land already under the CRP should not be eligible for cost-share assistance under any other Federal program. After further discussion on cost share payment rates under the CRP, the Committee rejected the Lugar/Bond amendment by a vote of 14 to 5. The Committee agreed to the Daschle/Fowler amendment.

The Committee also rejected Senator Bond's amendment capping the CRP at 45 million acres rather than 50 million by a vote of 11 to 8. Having reached an agreement on all provisions of the conservation bill with the exception of the swampbuster provisions, the Committee accepted the title as amended.

The Committee's first action on May 3 was to accept a Kerrey amendment permitting farmers to plant conserving resource crops without penalty under the integrated crop management provision. Senator Daschle's amendment prohibiting farmers entering highly erodible land into CRP under a new contract from breaking out pasture that does not have a crop history or is native pasture land was passed subject to agreement with Senators Dole and Boren.

There was agreement among Committee members that the swampbuster title as re-written addresses many of the clarity problems of the previous title. Senators were especially supportive of the graduated penalty provisions for farmers in violation of swampbuster. The Chairman suggested the creation of an ad hoc group of Senators to consider Senator Bond's request for a provision regarding retroactive relief for farmers who have been penalized because of ambiguity in the previous title. There was also some discussion regarding the expansion of minimal effects determination in the title. After accepting Senator Leahy's amendment allowing farmers who violate swampbuster once in ten years to start over with a minimum penalty of $750.00, the Committee accepted the conservation title as amended.

On May 16 and May 17 the Committee marked up the farm credit title of the 1990 farm bill. Senators Leahy and Lugar offered the proposed credit title for use as a markup vehicle.

Senator Leahy offered en-bloc amendments on behalf of himself and Senator Lugar. The en-bloc amendments, passed by voice vote, are as follows:

—limitation of write-downs to $350,000 of principal and interest;
—requirement that FmHA hold inventory property for eligible borrowers for one year following the publication of availability;
—a conservation easement amendment that requires the continued viability of the farm unit after easements are placed on the property once it comes into inventory;
—limitation of the number of write-downs per borrower to one, applying the new calculation, (using 105% of debt service margin), to those borrowers who have gotten a write-down before the act if they become delinquent and qualify for a write-down;
—rectifies the problem with Hawaiian lands and their eligibility for operating loan guarantees from FmHA;
—applies good faith requirements to buy-outs and preservation;
—mandates an interest rate reduction program similar to current law allowing 4% interest subsidy;
—describes essential assets to be used in the net recovery buyout calculation and requires a borrower to liquidate such assets if it would bring the loan current;
—mandates graduation for operating and ownership loans following 10 years of a direct loan and 5 years of a guarantee, and applies this provision to new loans only;
—expands current provisions under the Indian Land Acquisition Act;
—provides authorization for the socially disadvantaged outreach program;
—clearly specifies uses of the soil and water conservation loan program;

—allows FmHA borrowers to consider giving up easements on their property in return for credit or debt forgiveness;
—further clarifies that the language regarding system institutions leaving the system applies only to the California Livestock Production Credit Association;
—allows Farmer Mac to pool FmHA guaranteed loans;
—allows the Farm Credit System to lend to processors or marketers whose on-farm production makes up a portion of the raw product going through the plant to being marketed.

Senator Boschwitz offered an amendment with respect to the farm ownership guaranteed loans. The amendment would establish a 20% equity test for potential FmHA borrowers to prevent overleveraging. Senators Daschle and Boschwitz discussed whether the amendment would increase or decrease the amount of farm loans, and why the 20% equity criteria was necessary. Senator Boschwitz decided to withdraw his amendment, stating that he would request that report language give some impetus for FmHA to look into equity requirements.

Senator Harkin offered an amendment which would strike the compromise language that allows the Farm Credit System banks to be in regulatory compliance when they offer only one carrier for each type of insurance. Senator Harkin's amendment would have maintained that the System banks would have to offer two carriers for each type of insurance that they were going to offer. The Committee agreed by voice vote to amend the title with compromise language, which allows System banks unable to find two carriers willing to do business with the System to offer insurance with only one carrier.

Senator Conrad offered an amendment to allow write-downs of FmHA loans when a presidential disaster declaration is issued. The amendment was passed by a roll call vote of 10-9.

The Committee passed the farm credit title as amended by voice vote.

On May 23, the Committee met to markup the fruit and vegetable title of the farm bill. The Chairman announced the creation of a working group to identify areas of agreement between Senators on the commodity titles of the farm bill. The panel consisted of the Chairman and the Ranking Member as well as Senators Pryor, Kerrey, Lugar and Dole. Senator Lugar warned the Committee that the working group's efforts would not be successful if the working group called for increased target prices, loan rates and set-asides. Senator Leahy argued that the working group should put everything on the table during its negotiations. The Committee then passed the fruit and vegetable title by voice vote. Members agreed to address proposed legislation banning the export of restricted pesticides at the next markup.

On June 6, the Committee returned to consider the Chairman's legislation banning the export of restricted pesticides. The Chairman argued that this legislation would not only prevent toxic chemicals from returning to American consumers on the skins of imported fruits and vegetables, but would also level the playing field for American producers. Senator Lugar was concerned that the "Circle of Poison" legislation would put burdensome restrictions on countries which may wish to assume the risk of using

chemicals which are banned in the U.S. As was Senator Lugar, Senator Bond was not convinced that it was appropriate for this legislation to be included in the farm bill. He argued that by imposing a "unilateral band on exports" the U.S. would undermine the international cooperation sought through the GATT negotiations. Senators Lugar, Bond and Gorton were also concerned that the ban would push pesticide production offshore, thus causing the loss of businesses and jobs. Senators Gorton Cochran objected to a Fowler amendment regarding cosmetic standards. In spite of these considerations, Senator Lugar said he would support the inclusion of the Circle of Poison language while reserving his right to propose amendments at a later date. The Committee then agreed, by voice vote, to include the circle of poison legislation in the fruit and vegetable title and to accept the title as amended.

On June 12, the Committee met to markup the flexibility provisions with respect to bases and yields. The Chairman announced that he had received a letter from Secretary Yeutter clarifying the administration's position on the farm bill. He said the letter called for the continuation of target prices at their 1985 level coupled with necessary adjustments in payment bases. According to the Chairman, the administration's proposal would require a 25 percent cut in payment acreage. However, the chairman said the Secretary's position on loan rates was much less clear. The Chairman added that the working group had not reached final agreement on the commodity provisions.

On June 14, the Committee met to continue markup of the flexibility provisions with respect to bases and yields and to markup the sugar title. With the support of Senator Lugar, Senator Boschwitz offered an amendment to allow a producer to plant 25 percent of his crop acreage base with any program crop or oilseed and receive the deficiency payment on the original crop. His amendment failed by a vote of 5 to 13. Senator Bond offered an amendment which would allow producers to certify that they will not plant a program crop for which they have a base in return for full base protection. Under this amendment, subsequent crops on the protected land would be ineligible for deficiency payments or price support loans and would be limited to program crops and oilseeds. The Bond amendment was passed by voice vote. Senator Bond offered another amendment which would permit producers to plant oilseeds or any other necessary crop on one-half of their ARP with the stipulation that the producer agree to a corresponding reduction in their other program acreage in order that neither deficiency payments or total farm costs would be increased. This amendment was accepted by voice vote. Senator Bond's amendment providing that a producer who is prevented from planting a crop would not have to maintain the ARP requirements for a replacement crop that was planted on the original program crop acres to receive base protection was also accepted by voice vote. The Committee accepted the flexibility section as amended.

The Committee then moved to markup the sugar title of the farm bill. Senator Lugar initiated the markup by offering an amendment to terminate the sugar program. Lugar announced that should this amendment fail, he would offer a substitute amendment which would reduce the sugar price support payment

to a level which would establish parity between the sugar program and other program crops. He argued that the sugar program is based on keeping others out of the U.S. sugar market. Opponents of the Lugar amendment argued strongly that to eliminate the sugar program would be to unilaterally disarm the United States in the GATT negotiations. The Lugar amendment failed by a vote of 16 to 2. Senator Lugar then offered an amendment which would reduce the support price for sugar by the same percentaqge as the reduction in the program crops between 1985 and 1990. The second Lugar amendment failed by a vote of 5 to 12. Senator Conrad offered a two-part amendment which would authorize a 9 month loan for sugar producers rather than a 6 month loan and would make the loan program available to certain producers who are currently unable to use it because of the harvesting schedule. The Conrad amendment was passed, 11 votes to 7.

On June 19, the Committee marked-up the dairy title of the 1990 farm bill. The Chairman introduced a Leahy/Boschwitz proposal as the markup vehicle. According to the Chairman, the Leahy/Boschwitz proposal would: break the pattern of price cuts; redirect the dairy industry away from butterfat production; allow for open and orderly consideration of supply control proposals; and direct the Secretary to initiate a milk marketing adjustment program.

Senator Wilson offered an amendment striking a provision of the Leahy/Boschwitz proposal which would provide that no State may have a greater "make allowance" than that provided under Federal law. The Wilson amendment would authorize the Secretary of Agriculture to conduct a study of State milk pricing programs before any "make allowance" programs are eliminated. At Senator Bond's suggestion, the Committee accepted a modification to the Wilson amendment. The modified amendment failed by a vote of 7 to 12.

In conjunction with Senator Boren, Senator Baucus offered an amendment which would preclude a future whole herd dairy buyout program for the 5 years of the farm bill. The Baucus/Boren amendment was accepted 16 votes to 2. Senator Harkin's amendment regarding a multiple-component pricing study focusing on milk solids was modified at Senator Lugar's suggestion and accepted by voice vote. Senator Baucus offered another amendment which would provide remedy to beef cattle producers who are injured as a result of "improper" Federal application of the legislation. The Baucus amendment was defeated by a vote of 7 to 11.

Senator Boschwitz's amendment establishing a processor-funded milk promotion program was passed by voice vote. Senator Lugar's amendment to drop the dairy price support floor when CCC purchases are estimated at 7 billion pounds or more was defeated 7 votes to 12. Finally, the Committee accepted en bloc amendments making technical changes to the dairy title.

On June 20 the Committee met to markup the oilseeds, rice and feed grain titles of the farm bill. Senator Baucus offered a cost-of-production amendment which would set "statutory" target prices for wheat, feed grains, cotton and rice based on annual increases in the CPI-U. Under this amendment the Secretary could decrease the statutory target price for these commodities by a maximum of the annual rate of change in CPI-U minus 4.3 percent but never

lower than the actual target prices of the previous year. The Baucus amendment was defeated 12 votes to 7.

Senator Kerrey offered a two-part amendment which would provide the Secretary with two options: The first option would replace Findley with a marketing loan for wheat and feed grains. The second option would allow the Secretary to use the Findley adjustment with the stipulation that the Secretary apply a one cent decrease in the loan rate from the basic loan rate to a one cent increase in advance deficiency payments. Both options would establish a loan floor of $1.96 for corn and $2.44 for wheat.

Arguing that the two-part Kerrey amendment would not provide additional income to farmers, Senator Daschle offered a substitute to the Kerrey amendment which would simply eliminate Findley provision over the next five years. Senator Lugar moved to table the Daschle amendment. Senator Boren suggested a compromise which would provide producers with a penny-for-penny adjustment up to a maximum of 70 percent of the anticipated deficiency payment. In response to the protests of Senators who wished to continue debate on the Findley adjustment, Senator Lugar withdrew his motion to table. After further discussion, the Daschle amendment was defeated 11 votes to 7. Senator Daschle then proposed the first part of the Kerrey amendment as a substitute to the full Kerrey amendment. Senator Daschle's second amendment was defeated 12 votes to 7. At Senator Boren's suggestion, Senator Kerrey accepted a modification to the second option of his original amendment which would require that 90 percent of each penny reduction in the loan rate be applied to producer advance deficiency payments. Senator Boren argued that this change would lessen the likelihood that farmers would have to pay back their advance deficiency payments because of miscalculations on the part of the Secretary. The Kerrey amendment, as modified, was defeated 10 votes to 9. Senator Boren responded by moving to reconsider the vote by which the Daschle amendment to repeal Findley was rejected. However, at the recommendation of the Chairman, Senator Boren agreed to withhold his motion until the following markup.

On June 21, the Committee met to markup the commodities titles of the farm bill. The Chairman moved that the Committee accept a series of en bloc amendments concerning loan rates, oilseeds, barley, peanuts, and deficiency payments. The en bloc amendments also contained several technical and conforming amendments. The en bloc amendments were accepted with Senators Daschle, Harkin, Boschwitz, Heflin and Baucus opposing. The Committee then favorably reported the bill, 15 votes to 4. By unanimous consent the Committee authorized staff to make technical and correctional changes to the legislation. On June 28, the Committee accepted technical amendments to the legislation by voice vote.

31-913—90——14

SECTION-BY-SECTION ANALYSIS

TITLE I—DAIRY

Findings

Section 101 contains several findings of Congress including that—

(1) United States dairy policy should foster an economic environment in which milk producers have the opportunity to receive a satisfactory return for their labor and investment;

(2) the Federal dairy program should foster the use of a component based price support system to more readily reflect market demands and better communicate the economic composition of milk and products derived from milk;

(3) market forces, together with appropriate adjustments in the government support price and standby milk production reduction programs should balance supply and demand for milk and dairy products; and

(4) Federal and State dairy policy must be consistent.

Milk Price Support and Inventory Management Program for Calendar Years 1991 through 1995

Section 102 amends the Agricultural Act of 1949 concerning milk price supports as follows:

(1) Price support level.—During the period beginning on January 1, 1991 and ending on December 31, 1995, the price of milk shall be supported at a rate not less than $10.10 per hundredweight for milk containing 3.67 percent milkfat.

(2) Butter adjustments.—The bill contains authority for the Secretary to adjust the prices for butter and nonfat dry milk as follows:

(A) The purchase price of butter is established at no more than $0.983 per pound for calendar year 1991, $0.815 in calendar years 1992 and 1993, and $0.788 in calendar years 1994 and 1995.

(B) The Secretary may adjust the rate of price support between the purchase prices for nonfat dry milk and butter in another manner if the Secretary determines that such will result in the lowest level of expenditures by the Commodity Credit Corporation (CCC).

(C) The Secretary may make any such adjustments in the purchase prices for nonfat dry milk and butter twice in each calendar year.

(3) Adjustments in price support level.—The Secretary may decrease by 25 cents the price support level for milk if purchases will exceed 5 billion pounds, of total milk solids. The Secretary may increase by 25 cents the price support level for milk if purchases will not exceed 3.5 billion pounds, total milk solid basis. The Secretary shall notify Congress of any proposed reduction or increase in the rate of price support for milk.

(4) Total milk solid basis.—The term "milk equivalent, total milk solids basis", of milk and the products of milk, purchased by the CCC, shall be equal to the weighted average of (1) the milk equivalent of the products, as computed on a milk fat basis and (2) the

milk equivalent of the products, as computed on a milk solids, not fat basis. The weighting factors shall reflect the proportions of such components found in milk, but be equal to not more than 40 percent for the milk equivalent, as computed on a milk fat basis and not more than 70 percent for the milk equivalent, as computed on a milk solids not fat basis. The weighting factors shall total 100 percent.

(5) Consideration of imports.—In estimating the level of purchases of milk and the products of milk under this subsection, the Secretary shall deduct the amount by which the level of imports into the U.S. of milk and the products of milk during the most recent calendar year exceeds the annual average level of imports into the United States of milk and the products of milk during the period January 1, 1986, through December 31, 1990, milk equivalent, total milk solids basis.

(6) Report on milk marketing adjustments.—By July 1, 1991, the Secretary shall prepare a report and recommendations on milk marketing adjustment policies to be implemented if purchases exceed 7 billion pounds.

The Secretary shall use a notice and comment procedure to solicit comments from the dairy industry concerning these proposals and to notify industry and the public of the Secretary's evaluation of those proposals (time deadlines of 90 days on original notice and 180 days on evaluation are established).

The Secretary shall evaluate the proposals received concerning a milk marketing adjustment program using the following criteria:

—speed and effectiveness of reducing excess milk production;
—effectiveness in sustaining reduced milk production for at least a five year period with and without the continuation of the program;
—regional impact on milk prices, producer revenue and milk supplies;
—impact on national producer income and government expenditures;
—impact on rural economy and maintaining family farms;
—impact on the availability of wholesome dairy products for domestic and foreign nutrition and food assistance programs;
—technological innovations;
—effectiveness in reducing butter fat production and increasing protein content in milk;
—impact of temporary increases and decreases of milk production;
—impact on the United States cattle industry; and
—all other issues the Secretary deems appropriate.

The report shall be updated annually and presented to Congress.

(7) Milk marketing adjustment program.—If, on November 1 of each of the calendar years 1991–95, the Secretary estimates that the level of CCC purchases of milk and the products of milk for the following calendar year will exceed 7 billion pounds, milk equivalent, total milk solids basis, the Secretary shall implement a milk marketing adjustment program for the purpose of controlling the level of the purchases of milk and milk products by the CCC during such calendar year.

No later than July 1 the Secretary shall notify the Congress what, if any, action the Secretary determines will be taken with regard to a milk marketing adjustment program in the event the Secretary estimates that CCC purchases of milk and milk products will exceed 7 billion pounds. The Secretary shall implement such milk marketing adjustment program if purchases will exceed 7 billion pounds unless a bill is enacted disapproving of such program.

The Secretary shall notify Congress by November 1 of each year whether he estimates that purchases will exceed 7 billion pounds.

If the Secretary implements a milk marketing adjustment program, the Secretary shall not offer to enter into a contract with any producer of milk in the U.S. for the purpose of selling for slaughter or export any dairy cattle in which the producer owns an interest.

Milk Manufacturing Margin Adjustment

Section 103 provides that no State may use a greater allowance than that provided for in Federal programs to establish a Grade A price for milk for manufacturing butter, nonfat dry milk, and cheese.

Minnesota-Wisconsin Price Series Reform

Section 104 requires the Secretary to study alternative pricing formulas used to determine the minimum prices paid under milk marketing orders.

The Secretary shall compile and make available to the public the data used to compare the alternative pricing formulas submitted and recommended with the existing Minnesota-Wisconsin price series.

By October 1, 1991, the Secretary shall prepare and provide a report to Congress regarding the results of the study.

If the Secretary determines, as a result of the study, that changes should be made in the mechanism used to compute minimum prices paid under Federal milk marketing orders, the Secretary shall give notice and a reasonable opportunity for public comment on any such proposed changes.

Report of Dairy Product Purchases

Section 105 requires the Secretary to make available to the public quarterly evaluations of the acquisition and disposal of CCC purchases of dairy products.

Application of Support Price for Milk

Section 106 provides that, for purposes of supporting the price of milk under section 201(e) of the Agricultural Act of 1949 (7 U.S.C. 14 46(d)), the Secretary may not take into consideration any market value of whey.

Application of Amendments

Section 107 provides that the amendments made by this subtitle shall not affect any liability of any person under section 201 of the Agricultural Act of 1949 (7 U.S.C. 14 46) as in effect before the date of the enactment of this Act.

Adjustments for Seasonal Production; Hearings on Amendments; Determination of Milk Prices

Section 108 amends section 101(b) of the Agriculture and Food Act of 1981 (7 U.S.C. 608c note) by striking out "1990" and inserting "1995".

Transfer of Dairy Products to the Military and Veterans Hospitals

Section 109 amends subsections (a) and (b) of section 202 of the Agricultural Act of 1949 (7 U.S.C. 14 46a) by striking "1990" and inserting "1995".

Extension of the Dairy Indemnity Program

Section 110 amends section 3 of the Act entitled "An Act to provide indemnity payments to dairy farmers" (7 U.S.C. 450l), approved August 13, 1968, by striking "1990" and inserting "1995".

Export Sales of Dairy Products

Section 111 amends section 1163 of the Food Security Act of 1985 (7 U.S.C. 1731e) by striking "1990" each place it appears and inserting in lieu thereof "1995".

Component Pricing of Milk

Section 112 amends section 8c(5)(B) of the Agricultural Adjustment Act (7 U.S.C. 608c(5)(B)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, by striking out "and" at the end of clause (ii)(d) and adding at the end thereof the following—

> and, (f) a further adjustment, equitably to apportion the total value of milk purchased by any handler or by all handlers among producers on the basis of the milk components contained in their marketings of milk.

Adjustments in Payments by Handlers

Section 113 amends section 8c(5) of the Agricultural Adjustment Act (7 U.S.C. 608c(5)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, by adding at the end the following:

> (L) Providing that adjustments in payments by handlers under paragraph (A) need not be the same as adjustments to producers under paragraph (B) with regard to adjustments authorized by subparagraph (A) (2) and (3) and clauses (B)(ii) (b), (c), and (d).

Dairy Export Incentive Program

Section 114 amends section 153 of the Food Security Act of 1985 (15 U.S.C. 713a–14) by striking "September 30, 1990" and inserting "December 31, 1995".

Status of Producer Handlers

Section 115 provides that the legal status of producer handlers of milk under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, shall be the same after the amendments made by

this title take effect as it was before the effective date of such amendments.

Multiple Component Pricing Study

Section 116 requires the Secretary to study the extent to which milkfat is being produced in the U.S. in excess of commercial market needs as a result of any provision of law, regulation, or order that affects the manner in which producers receive payment for milk on the basis of the milk components contained in their marketing of milk under and Federal or State milk pricing program. On completion of this study the Secretary shall announce a national hearing to consider the adoption of multiple component pricing provisions in individual Federal milk marketing orders and invite industry and consumer proposals on the specific provisions to be considered for each order.

SUBTITLE B—PROCESSOR-FUNDED MILK PROMOTION PROGRAM

Short Title

Section 121 provides that this subtitle may be cited as the "Fluid Milk Promotion Act of 1990".

Findings and Declaration of Policy

Section 122 lists several findings about the importance of milk in the human diet and the role of the dairy industry in the economy of the United States. This section also includes a policy statement that it is in the public interest to strengthen the position of the dairy industry in the marketplace and to expand uses for Class I fluid milk products.

Definitions

Section 123 provides specific definitions for: (1) advertising, (2) Board, (3) Class I fluid milk product, (4) Class I processor, (5) Department, (6) Research, (7) Secretary, (8) United States.

Report and Recommendations of the Secretary

Section 124 requires the Secretary to prepare a report and recommendations for a processor-funded milk promotion program. The Secretary shall solicit public comment and submit this report to the Congress no later than May 1, 1991.

Authority to Issues Orders

Section 125 requires the Secretary, if a processor funded milk promotion program is recommended in the report, to issue orders applied to all processors of milk. The Secretary may also issue orders authorizing the collection of assessments of Class I fluid products and use these assessments for this program. No more than one order shall be in effect under this subtitle at any one time.

Notice and Hearings

Section 126 provides that if the Secretary receives a request for the issuance of an order under this subtitle, and specific proposal for a plan, from Class I processors representing not less than 30

percent of Class I fluid milk product sales, the Secretary may propose the issuance of an order under this subtitle.

Findings and Issuance of Orders

Section 127 provides that after notice and comment are given, the Secretary shall issue the order for the program.

Regulations

Section 128 authorizes the Secretary to issue such regulations as may be necessary to carry out this subtitle and the powers vested in the Secretary by this subtitle.

Required Terms in Orders

Section 129 provides that the order shall establish a National Processor Advertising and Promotion Board. Members of the Board shall represent marketing regions established in this section. This section states that terms of office and powers and duties of the Board. This section also requires the Board to develop a budget to implement the order and sets out conditions for handling the financing of the program as well as for maintaining the books and records of the Board. This section also prohibits any funds collected by the Board under the order from being used in any manner for the purpose of influencing legislation or government action or policy.

Permissive Terms

Section 130 provides for additional terms for each order, including different payment and reporting schedules, advertising, research and development and reserve funds.

Assessments

Section 131 establishes that the assessments under this subtitle shall be added to all Class I milk differentials or minimum prices, be included in the Class I price, and not be deducted from the payment made to a producer for Class I milk sold to a processor. This section also sets the conditions and procedures for the collection and assignment of the assessments to the Board.

Petition and Review

Section 132 allows a person subject to an order issued under this subtitle to file a petition with the Secretary challenging the legality of the order or requesting a modification in the order. This section establishes the procedures for a hearing and ruling on the petition.

Enforcement

Section 133 establishes the jurisdiction of the courts, civil penalties and legal enforcement procedures for the order.

Investigations and Power to Subpoena

Section 134 authorizes the Secretary to makes such investigations that the Secretary considers necessary to carry out the order or to determine if a person has engaged in practices that constitute a violation of this subtitle. This section also gives the Secretary the

right to administer oaths, subpoena witnesses and take evidence in relation to this subtitle.

Requirements of Referendum

Section 135 requires that the Secretary conduct a referendum among Class I processors to determine if the processors favor the implementation of the order. This section sets out a procedures for this referendum.

Suspension or Termination of Orders

Section 136 provides that the Secretary may terminate or suspend the operation of the order if the Secretary finds that it does not effectuate the declared policy of this subtitle. This section also provides for other referenda in the order.

Amendments

Section 137 allows the Secretary to conduct a referendum on the assessment rate and to adjust the assessment rate.

Independent Evaluation of Programs

Section 138 requires the Comptroller General of the U.S. to review and evaluate the order no later than 2 years after the date of enactment of this bill.

Authorization of Appropriations

Section 139 authorizes such funds as may be necessary to carry out this subtitle. However, the funds so appropriated shall not be available for payment of the expenses or expenditures of the Board in administering any provision of any order issued under this subtitle.

TITLE II—WOOL AND MOHAIR

Wool Act Extension

Section 201(a) extends the National Wool Act of 1954 through 1995.

Section 201(b) applies a $50,000 payment limitation to wool and mohair producers. This section also requires the Secretary to develop regulations with respect to a "person" when determining payment limitation.

TITLE III—WHEAT

Loans, payments, and acreage reduction programs for the 1991 through 1995 crops of wheat

Section 301 amends section 107A of the Agricultural Act of 1949 (the "1949 Act") to provide for a production adjustment and price support program for the 1991 through 1995 crops of wheat as follows:

Loans and purchases

Section 107A provides that the Secretary shall make available to producers on a farm price support loans and purchases for each of the 1991 through 1995 crops of wheat produced on the farm at such

level as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.

Minimum loan levels

The Secretary shall determine the loan and purchase level for a crop of wheat in accordance with paragraph (A) or (B), as follows:

(A) Basic level.—If the Secretary elects to establish the loan and purchase level for wheat under this subparagraph, the level shall not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat during the marketing years for the immediately preceding five crops of wheat, excluding the highest and the lowest. However, the loan and purchase level for a crop may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $2.44 per bushel.

(B) Adjusted level.—If the Secretary elects to establish the loan and purchase level for wheat under this subparagraph, the level shall be established as follows:

(1) The loan and purchase level shall be established as provided in paragraph (A) above, but may be adjusted as provided in subparagraph (2) below.

(2) If the Secretary determines that the average price received by producers for wheat in the previous marketing year was not more than 110 percent of the loan and purchase level for wheat for the marketing year or determines that the action is necessary to maintain a competitive market position for wheat, the Secretary may reduce the loan and purchase level for wheat for the corresponding crop by an amount the Secretary determines necessary to maintain domestic and export markets for wheat, but not more than 20 percent in any year. Any reduction in the loan and purchase level for wheat under this subparagraph shall not be considered in determining the loan and purchase level for wheat for subsequent years.

If the Secretary elects to establish the loan and purchase level for wheat under (B), the Secretary shall, within 30 days of the election, submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report—

(1) outlining the budget implications of the election;

(2) describing the anticipated effect on farm income of the election;

(3) describing why an adjustment is necessary to prevent the build-up of stocks and to maintain price competitiveness; and

(4) describing the anticipated effect on the orderly marketing of the crop of wheat of the election.

Advance compensation

If the loan and purchase level for a crop of wheat is reduced under the above provisions, the Secretary shall make advance compensation available to producers of the crop. The advance compensation shall not be less than an amount determined by multiplying—

(1) the estimated individual farm program acreage for the crop; by

(2) the farm program payment yield for the crop; by

(3) an amount determined by multiplying 0.75 by the amount of the reduction in the loan level for the crop under the above provisions.

The advance compensation must be repaid not later than 270 days after the beginning of the marketing year for the crop.

Repayment of wheat price support loans

In order to ensure that a competitive market position is maintained for wheat, section 107A(a)(3) of the 1949 Act provides that the Secretary shall permit a producer to repay a wheat price support loan for a crop at the lesser of—

(1) the loan level determined for the crop; or

(2) the prevailing world market price for wheat (adjusted to U.S. quality and location).

Prevailing world market price

The Secretary must prescribe by regulation a formula to define the prevailing world market price for wheat, and a mechanism by which the Secretary shall announce periodically the prevailing world market price for wheat.

Alternative repayment rates

If the world market price for wheat is less than the loan level determined for the crop, the Secretary may permit a producer to repay a price support loan at such level (not in excess of the loan level determined for the crop) as the Secretary determines will—

(1) minimize potential loan forfeitures;

(2) minimize the accumulation of wheat stocks by the Federal Government;

(3) minimize the cost incurred by the Federal Government in storing wheat; and

(4) allow wheat produced in the U.S. to be marketed freely and competitively, both domestically and internationally.

Simple average price

Section 107A(a)(4) of the 1949 Act provides that the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

Loan deficiency payments

Section 107A(b) of the 1949 Act provides that the Secretary may make payments available to producers of the 1991-95 crops of wheat who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement for payments under this subsection. A payment under this subsection shall be based upon the amount by which the loan level exceeds the level at which the loan may be repaid. A producer may obtain such a payment on any quantity of wheat that the producer is eligible to place under loan but instead forgoes obtaining such loan and requests a payment.

Deficiency payments

Section 107A(c) of the 1949 Act requires the Secretary to make available to producers deficiency payments for each of the 1991-95 crops of wheat. The deficiency payment is determined by multiplying the payment rate by the individual farm program acreage for the crop by the farm program payment yield for the crop for the farm.

The deficiency payment rate for wheat is the amount by which the established price for the crop exceeds the higher of—

(1) the national average market price received by producers during the first 5 months of the marketing year for the crop; or

(2) the loan level determined for the crop. The established price for wheat cannot not be less than $4.00 per bushel for each of the 1991-95 crops.

Emergency compensation

If the Secretary adjusts the level of loans and purchases for wheat under paragraph (B) above, the Secretary shall provide emergency compensation by increasing the deficiency payments for wheat by such amount as is necessary to provide the same total return to producers as if the adjustment had not been made.

In determining the payment rate, per bushel, for emergency compensation payments for a crop of wheat, the Secretary shall use the national weighted average market price, per bushel of wheat, received by producers during the first 5 months of the marketing year for each of the 1991-95 crops.

0/92 program for wheat

Section 107A(c)(1)(D) provides that if a wheat acreage limitation program is in effect, a producer of wheat may devote a portion (or all) of the producers' permitted wheat acreage to conserving or other specified crops but still be eligible to receive deficiency payments on up to 92 percent of the producers' permitted wheat acreage. The deficiency payment rate under this provision may not be established at less than the projected deficiency payment rate for the crop.

The wheat crop acreage base and wheat farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted wheat acreage of the farm was devoted to conserving uses. Any acreage considered to be planted to wheat in accordance with this provision may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program.

The Secretary may permit all or any part of acreage otherwise required to be devoted to conservation uses under the 0/92 provisions, to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes

(including kenaf). The Secretary may permit the acreage to be devoted to such production only if the Secretary determines that—

(1) the production itself is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(2) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of United States industry.

The Secretary is required to permit all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under the 0/92 provisions to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). However, in order to receive payments with respect to such acreage that is devoted to those oilseeds, the producers on the farm must choose between such deficiency payments or loan eligibility for all of the particular oilseed planted on the farm. The total quantity of wheat on which payments would otherwise be payable to a producer on a farm for any crop under the 0/92 provisions shall be reduced by the quantity on which any disaster payment is made to the producer under section 107A(c)(2) of the 1949 Act.

Discretionary disaster payments

Prevented planting.—If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for wheat to wheat because of a natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(1) the number of acres (not to exceed the previous year's plantings) that the producer was prevented from planting; by

(2) 75 percent of the farm program payment yield established for the farm by the Secretary; by

(3) a payment rate equal to 33⅓ percent of the established price for the crop.

Reduced yield.—If the Secretary determines that because of a natural disaster, or other condition beyond the control of the producers, the total quantity of wheat that the producers are able to harvest on any farm is less than 60 percent of the farm program payment yield multiplied by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

Producers on a farm shall not be eligible for the disaster assistance provided for under this provision if crop insurance is available to the producers. The Secretary may waive this limitation if the Secretary determines that the producers have suffered substantial losses of production either from being prevented from planting

wheat or other nonconserving crops or from reduced yields; the losses have created an economic emergency for the producers; crop insurance indemnity payments and other Federal assistance are insufficient to alleviate the economic emergency; and additional assistance must be made available to the producers to alleviate the economic emergency.

Payment yields

The farm program payment yields for farms for each crop of wheat shall be determined under title V of the 1949 Act.

Acreage reduction programs

Section 107A(e) provides that if the Secretary determines that the total supply of wheat will be excessive, the Secretary may provide for any crop of wheat an acreage limitation program as described in subsection (e). In making a determination concerning the supply of wheat, the Secretary shall take into consideration the number of acres placed in the Conservation Stewardship Program established under title XII of the Food Security Act of 1985.

Announcements.—The Secretary shall announce any acreage limitation program not later than June 1 prior to the calendar year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section. Not later than July 31 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the announced acreage limitation program if the Secretary determines that there has been a significant change in the total supply of wheat since the first announcement.

Ineligibility for loans, purchases, and payments.—As a condition of eligibility for loans, purchases, and payments for any such crop of wheat, except as provided in the inventory reduction program, the pilot bushel based program, and the planting flexibility provisions in title V of the 1949 Act, the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, a land diversion program.

Carryover.—If the Secretary estimates for a marketing year for the crop that the ratio of wheat-ending stocks to total disappearance of wheat for the preceding marketing year will be—

(1) more than 40 percent, the Secretary shall provide for an acreage reduction program (ARP) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base reduced by not less than 12.5 percent nor more than 20 percent; or

(2) 40 percent or less, the Secretary may provide for an ARP under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base reduced by not more than 12.5 percent.

For the purpose of this subparagraph, the term total disappearance means all wheat utilization, including total domestic, total export, and total residual disappearance.

Acreage limitation program

If a wheat acreage limitation program is announced by the Secretary, the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 20 percent) to the wheat crop acreage base for the crop for each wheat producing farm. Producers who knowingly produce wheat in excess of the permitted wheat acreage for the farm shall be ineligible for wheat loans, purchases, and payments with respect to that farm. The provisions concerning planting flexibility in title V of the 1949 Act and the pilot bushel based program are exceptions to this rule.

Crop acreage bases.—The wheat crop acreage base for each crop of wheat shall be determined under title V of the 1949 Act.

Acreage devoted to conservation uses.—Under the acreage limitation program, producers must devote a number of acres on the farm to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the wheat crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is referred to as "reduced acreage". The remaining part of the wheat crop acreage base is referred to as "permitted acreage".

Except as provided in the 0/92 provisions, the individual farm program acreage shall be the acreage planted on the farm to wheat for harvest within the permitted wheat acreage for the farm.

Reduced acreage.—The producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm. If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops. The Secretary shall ensure that reductions in acreage used to compute deficiency payments under this provision are sufficient to ensure that this provision will result in no additional cost to the CCC.

The producers on a farm may also elect to—

(1) devote reduced acreage to an experimental or industrial nonprogram crop; or

(2) harvest a conserving crop on reduced acreage,

determined and announced by the Secretary (hereinafter referred to as an approved crop). If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this provision, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if

the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

Targeted option payments

If the Secretary implements an acreage limitation program for wheat, the Secretary shall allow producers on a farm who do not receive payments under the 0/92 provisions to increase or decrease the acreage limitation percentage applicable to the crop of wheat in return for adjustments in the level of deficiency payments. If a producer agrees to an increase in the acreage limitation percentage above the percentage announced by the Secretary, the producer shall be eligible to receive an increase in the established price for wheat by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' wheat acreage base. The acreage limitation percentage shall not be increased by more than 10 percentage points for the 1991 crop and 15 percentage points for each of the 1992-95 crops or above 25 percent total for the crop.

A producer shall be eligible to decrease the acreage limitation percentage announced by the Secretary (but not below ½ of the announced acreage limitation percentage), if the producer agrees to a decrease in the established price for wheat for the purpose of calculating deficiency payments to be made available to the producer. The Secretary shall decrease the established price for wheat by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' wheat acreage base.

The Secretary shall, to the extent practicable, ensure that the targeted option payment program (TOP) does not have a significant effect on program participation or total production.

Administration of conservation use acreage

The Secretary shall ensure that conservation use acreage is protected from weeds and wind and water erosion. If they are participating in the acreage limitation program, wheat producers must plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the reduced acreage, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop. The CCC will pay 50 percent of the cost of establishing such cover (on not more than 50 percent of the reduced acreage or 5 percent of the wheat crop acreage base) if the producer establishes a perennial cover on the reduced acreage.

If a producer establishes a perennial cover on the reduced acreage and receives cost-share assistance from the CCC, the producer shall agree to maintain the perennial cover for a minimum of 3 years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago

ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Haying and grazing.—Haying and grazing of reduced acreage, acreage devoted to a conservation use under the 0/92 provisions, and acreage diverted under a land diversion program shall be permitted, except during any consecutive 5-month period that is established by the State Agricultural Stabilization & Conservation (ASC) Committee. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State committee shall announce the establishment of the 5-month period no later than January 1 of each year. The Secretary may permit unlimited haying and grazing in the event of a natural disaster.

Summer fallow practices.—In determining the quantity of land to be devoted to conservation uses under an acreage limitation program with respect to land that has been farmed under summer fallow practices, the Secretary shall consider the effects of soil erosion and other factors as the Secretary considers appropriate.

Water storage uses.—Land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent its conversion to water storage uses.

Land diversion payments

The Secretary may make land diversion payments to producers of wheat, whether or not an acreage limitation program for wheat is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. The land diversion payments shall be made to producers who divert land from the production of wheat. The amounts payable under land diversion contracts may be determined through the submission of bids or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

The Secretary shall limit the total acreage to be diverted under land diversion agreements in any county or local community so as not to affect adversely the economy of the county or local community.

Conservation practices.—Reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph. The Secretary may provide for an additional payment on the acreage if the producer agrees to permit access to

the farm by the general public, for hunting, trapping, fishing, and hiking.

Participation agreements

Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe. The Secretary and the producers may agree to modify or terminate an agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of wheat.

Inventory reduction payments

Section 107A(f) of the 1949 Act provides that the Secretary shall make payments available to producers who agree to forgo obtaining a loan or purchase agreement for wheat; agree to forgo receiving loan deficiency payments or deficiency payments for wheat; do not plant wheat for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program; and otherwise comply with the inventory reduction program.

Payments under this program may be made in the form of negotiable marketing certificates, and shall be determined in the same way as are loan deficiency payments.

Pilot Voluntary Production Limitation Program

Section 107A(g) of the 1949 Act requires the Secretary to carry out, for the 1991 or 1992 crop of wheat, a pilot program in at least 15 counties in at least 4 States (60 total) where producers express an interest in participating. Under this program, the producers on a farm shall be considered to have met the requirements of an acreage limitation or land diversion program if they limit their marketings of wheat to the wheat production limitation quantity for the farm for the marketing year.

The production limitation quantity for a farm for a marketing year shall equal the product obtained by multiplying—

(1) the acreage permitted to be planted to wheat under the ARP or land diversion program in effect for the crop for the farm; by

(2) the higher of—

(i) the farm program payment yield for the farm; or

(ii) the average of the yield per harvested acre for wheat for the farm for each of the 5 crop years immediately preceding the crop year during which the producers first participate in the pilot program, excluding the high and the low yield years and any crop year in which the commodity was not planted on the farm.

In order to participate in this pilot program, producers on a farm shall—

(1) enter into an agreement with the Secretary providing that the producers shall comply with the program for the crop;

(2) not plant program commodities for harvest in a quantity in excess of the normal crop acreage; and

(3) be considered to have complied with the terms and conditions of the wheat acreage reduction program or land diversion program for the crop, even though the acreage planted to wheat on the farm exceeds the permitted acreage provided under the acreage reduction or land diversion program.

Any quantity of wheat produced in a crop year on a farm in excess of the production limitation quantity for the farm may be stored by the producers for a period of not to exceed 5 marketing years. The restricted uses of such excess wheat are specifically described.

In carrying out the pilot program, the Secretary—

(1) shall issue necessary regulations;

(2) may require increased acreage reduction or land diversion requirements with respect to producers who have had excess wheat production in order to allow the producers to market, barter, or use the production in subsequent years;

(3) shall take appropriate measures designed to prevent the circumvention of the program established under this subsection, including the imposition of penalties;

(4) may require producers who participate in the program for a crop, but who fail to comply with the terms and conditions of the program, to refund all or a part of any deficiency payments received with respect to the crop;

(5) may require the forfeiture to the CCC of any wheat that is produced in excess of the production limitation quantity and that is not marketed, bartered, or used within 5 marketing years; and

(6) shall ensure equitable treatment for producers who participate in the pilot program if the Secretary allows increases (based on actual production levels) in the determination of farm program payment yields for wheat for the farm.

The Comptroller General of the U.S. shall prepare a report that evaluates the pilot program carried out under this subsection and makes recommendations concerning whether the pilot program should be made available to all producers of each of the 1993–95 crops of wheat in the United States. The report shall be submitted to the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Secretary.

Failure to comply fully

If a producer fails to comply fully with the terms and conditions of the wheat program conducted under this section, the Secretary may, nevertheless, make loans, purchases, and payments available to the producer in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State ASC Committees to waive or modify deadlines and other program requirements in cases in

which lateness or failure to meet the other requirements does not adversely affect the operation of the program.

Other provisions

The Secretary may issue such regulations as the Secretary determines necessary to carry out this section. The Secretary shall carry out the program authorized by this section through the CCC. The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act relating to assignment of payments shall apply to payments under this section. The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis and shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross-compliance

Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments for a crop of wheat. The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments for wheat on the farm, to comply with the terms and conditions of the wheat program with respect to any other farm operated by the producers.

Public comment on Wheat Program

Section 107A(o) of the 1949 Act would require the Secretary to request public comment regarding the development of the annual wheat program. Not less than 60 days before a program is announced for a crop of wheat under this section, the Secretary shall propose for public comment various program options for the crop of wheat. Each option proposed by the Secretary shall be accompanied by an analysis that includes the estimated planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that would likely result from each option.

Effective dates

Section 107A(p) of the 1949 Act provides that this section shall be effective only for the 1991–95 crops of wheat.

Nonapplicability of certificate requirements

Section 302 provides that sections 379d through 379j of the Agricultural Adjustment Act of 1938 relating to marketing certificate requirements for processors and exporters shall not be applicable to wheat processors or exporters during the period June 1, 1991, through May 31, 1996.

Suspension of land use, wheat marketing allocation, and producer certificate provisions

Section 303 provides that sections 331 through 339, 379b, and 379c of the Agricultural Adjustment Act of 1938 shall not be applicable to the 1991–95 crops of wheat.

Suspension of certain quota provisions

Section 304 provides that the joint resolution entitled "A joint resolution relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended", approved May 26, 1941 shall not be applicable to the crops of wheat planted for harvest in the calendar years 1991-95.

Nonapplicability of section 107 of the Agricultural Act of 1949 to the 1991-95 crops of wheat

Section 305 provides that section 107 of the Agricultural Act of 1949 shall not be applicable to the 1991-95 crops of wheat.

TITLE IV—FEED GRAINS

Loans, payments, and acreage reduction programs for the 1991-95 crops of feed grains

Section 401 amends section 105A of the Agricultural Act of 1949 (the "1949 Act") to provide for a production adjustment and price support program for the 1991-95 crops of feed grains as follows:

Loans and purchases

Section 105A of the 1949 Act provides that the Secretary shall make available to producers on a farm price support loans and purchases for each of the 1991-95 crops of corn produced on the farm at such level as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn.

Minimum loan levels

The Secretary shall determine the loan and purchase level for a crop of corn in accordance with paragraph (A) or (B), as follows:

(A) Basic level.—If the Secretary elects to establish the loan and purchase level for corn under this subparagraph, the level shall not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of corn during the marketing years for the immediately preceding 5 crops of corn, excluding the highest and the lowest. However, the loan and purchase level for a crop may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $1.96 per bushel.

(B) *Adjusted level.*—If the Secretary elects to establish the loan and purchase level for corn under this subparagraph, the level shall be established as follows:

(1) The loan and purchase level shall be established as provided in paragraph (A) above, but may be adjusted as provided in subparagraph (2) below.

(2) If the Secretary determines that the average price received by producers for corn in the previous marketing year was not more than 110 percent of the loan and purchase level for corn for the marketing year or determines that the action is necessary to maintain a competitive market position for corn, the Secretary may reduce the loan and purchase level for corn for the corresponding crop by an amount the Secretary

determines necessary to maintain domestic and export markets for corn, but not more than 20 percent in any year. Any reduction in the loan and purchase level for corn under this subparagraph shall not be considered in determining the loan and purchase level for corn for subsequent years.

If the Secretary elects to establish the loan and purchase level for corn under (B), the Secretary shall, within 30 days of the election, submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report—

(1) outlining the budget implications of the election;

(2) describing the anticipated effect on farm income of the election;

(3) describing why an adjustment is necessary to prevent the build-up of stocks and to maintain price competitiveness; and

(4) describing the anticipated effect on the orderly marketing of the crop of corn of the election.

Advance compensation

If the loan and purchase level for a crop of corn is reduced under the above provisions, the Secretary shall make advance compensation available to producers of the crop. The advance compensation shall not be less than an amount determined by multiplying—

(1) the estimated individual farm program acreage for the crop; by

(2) the farm program payment yield for the crop; by

(3) an amount determined by multiplying 0.75 by the amount of the reduction in the loan level for the crop under the above provisions.

The advance compensation must be repaid not later than 270 days after the beginning of the marketing year for the crop.

Repayment of feed grains price support loans

In order to ensure that a competitive market position is maintained for feed grains, section 105A(a)(3) of the 1949 Act provides that the Secretary shall permit a producer to repay a feed grains price support loan for a crop at the lesser of—

(1) the loan level determined for the crop; or

(2) the prevailing world market price for the crop.

Prevailing world market price

The Secretary must prescribe by regulation a formula to define the prevailing world market price for feed grains (adjusted to U.S. quality and location), and a mechanism by which the Secretary shall announce periodically the prevailing world market price for feed grains.

Alternative repayment rates

If the world market price for feed grains is less than the loan level determined for the crop, the Secretary may permit a producer to repay a price support loan at such level (not in excess of the loan level determined for the crop) as the Secretary determines will—

(1) minimize potential loan forfeitures;

(2) minimize the accumulation of feed grains stocks by the Federal Government;

(3) minimize the cost incurred by the Federal Government in storing feed grains; and

(4) allow feed grains produced in the U.S. to be marketed freely and competitively, both domestically and internationally.

Simple average price

Section 105A(a)(4) of the 1949 Act provides that the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

Other feed grains

Section 105A(a)(5) of the 1949 Act provides that the Secretary shall make available to producers loans and purchases for each of the 1991–95 crops of grain sorghum, barley, oats, and rye, respectively, produced on the farm at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of the commodity in relation to corn and other factors specified in section 401(b) of the 1949 Act.

Loan deficiency payments

Section 105A(b) of the 1949 Act provides that the Secretary may make payments available to producers of the 1991–95 crops of feed grains who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement for payments under this subsection. A payment under this subsection shall be based upon the amount by which the loan level exceeds the level at which the loan may be repaid. A producer may obtain such a payment on any quantity of feed grains that the producer is eligible to place under loan but instead forgoes obtaining such loan and requests a payment.

Deficiency payments

Section 105A(c) of the 1949 Act requires the Secretary to make available to producers deficiency payments for each of the 1991–95 crops of corn, grain sorghum, oats and barley. The deficiency payment is determined by multiplying the payment rate by the individual farm program acreage for the crop by the farm program payment yield for the crop for the farm.

The deficiency payment rate for feed grains is the amount by which the established price for the crop exceeds the higher of—

(1) the national average market price received by producers during the first 5 months of the marketing year for the crop; or

(2) the loan level determined for the crop.

Established prices.—The established price for corn cannot be less than $2.75 per bushel for each of the 1991–95 crops. The established price for oats shall not be less than $1.55 per bushel for the 1991 crop, $1.65 per bushel for the 1992 crop, $1.75 per bushel for the 1993 crop, and $1.85 per bushel for each of the 1994 and 1995

crops. The established price for each of the 1991–95 crops of grain sorghum and barley shall be not less than $2.61 per bushel for grain sorghum and not less than $2.36 per bushel for barley.

Adjustment for barley.— For the purposes of determining the payment rate for a crop of barley, the Secretary shall include feed barley prices and malting barley prices in the computation of the national weighted average market price for barley, except that the Secretary shall exclude the portion of average malting barley prices received by producers that exceeds prices received by producers for feed barley by more than $0.22 per bushel.

Emergency compensation

If the Secretary adjusts the level of loans and purchases for feed grains under paragraph (B) above, the Secretary shall provide emergency compensation by increasing the deficiency payments for feed grains by such amount as is necessary to provide the same total return to producers as if the adjustment had not been made.

In determining the payment rate, per bushel, for emergency compensation payments for a crop of feed grains, the Secretary shall use the national weighted average market price, per bushel of feed grains, received by producers during the first 5 months of the marketing year for each of the 1991-95 crops.

0/92 program for feed grains

Section 105A(c)(1)(E) provides that if a feed grains acreage limitation program is in effect, a producer of feed grains may devote a portion (or all) of the producers' permitted feed grains acreage to conserving or other specified crops but still be eligible to receive deficiency payments on up to 92 percent of the producers' permitted feed grains acreage. The deficiency payment rate under this provision may not be established at less than the projected deficiency payment rate for the crop.

The feed grains crop acreage base and feed grains farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted feed grains acreage of the farm was devoted to conserving uses. Any acreage considered to be planted to feed grains in accordance with this provision may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program.

The Secretary may permit all or any part of acreage otherwise required to be devoted to conservation uses under the 0/92 provisions, to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the U.S., or commodities grown for experimental purposes (including kenaf). The Secretary may permit the acreage to be devoted to such production only if the Secretary determines that—

(1) the production itself is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(2) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no

substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of U.S. industry.

The Secretary is required to permit all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under the 0/92 provisions to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). However, in order to receive payments with respect to such acreage that is devoted to those oilseeds, the producers on the farm must choose between such deficiency payments or loan eligibility for all of the particular oilseed planted on the farm.

The total quantity of feed grains on which payments would otherwise be payable to a producer on a farm for any crop under the 0/92 provisions shall be reduced by the quantity on which any disaster payment is made to the producer under section 105A(c)(2) of the 1949 Act.

Discretionary disaster payments

Prevented planting.—If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for feed grains to feed grains because of a natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(1) the number of acres (not to exceed the previous year's plantings) that the producer was prevented from planting; by

(2) 75 percent of the farm program payment yield established for the farm by the Secretary; by

(3) a payment rate equal to 33 1/3 percent of the established price for the crop.

Reduced yield.—If the Secretary determines that because of a natural disaster, or other conditions beyond the control of the producers, the total quantity of feed grains that the producers are able to harvest on any farm is less than 60 percent of the farm program payment yield multiplied by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

Producers on a farm shall not be eligible for the disaster assistance provided for under this provision if crop insurance is available to the producers. The Secretary may waive this limitation if the Secretary determines that the producers have suffered substantial losses of production either from being prevented from planting feed grains or other nonconserving crops or from reduced yields; the losses have created an economic emergency for the producers; crop insurance indemnity payments and other Federal assistance are insufficient to alleviate the economic emergency; and additional assistance must be made available to the producers to alleviate the economic emergency.

Payment yields

The farm program payment yields for farms for each crop of feed grains shall be determined under title V of the 1949 Act.

Acreage reduction programs

Section 105A(e) provides that if the Secretary determines that the total supply of corn, grain sorghum, barley, or oats will be excessive, the Secretary may provide for any of the crops an acreage limitation program. In making a determination concerning the supply of feed grains, the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

Announcements.—The Secretary shall announce any acreage limitation program not later than September 30 prior to the calendar year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section. Not later than November 15 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the announced acreage limitation program if the Secretary determines that there has been a significant change in the total supply of feed grains since the first announcement.

Ineligibility for loans, purchases, and payments.—As a condition of eligibility for loans, purchases, and payments for any such crop of feed grains, except as provided in the inventory reduction program, the pilot bushel based program, and the planting flexibility provisions in title V of the 1949 Act, the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, a land diversion program.

Carryover.—If the Secretary estimates for a marketing year for the crop that the ratio of corn ending stocks to total disappearance of corn for the preceding marketing year will be—

(1) more than 25 percent, the Secretary shall provide for an ARP under which the acreage planted to corn for harvest on a farm would be limited to the feed grains crop acreage base reduced by not less than 12.5 percent nor more than 20 percent; or

(2) 25 percent or less, the Secretary may provide for an ARP under which the acreage planted to corn for harvest on a farm would be limited to the corn crop acreage base reduced by not more than 12.5 percent.

For the purpose of this subparagraph, the term total disappearance means all corn utilization, including total domestic, total export, and total residual disappearance.

Acreage limitation program

If a feed grains acreage limitation program is announced by the Secretary, the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 20 percent) to the crop acreage base for corn, grain sorghum, barley, or oats, respectively, for each feed grain-producing farm. Producers who knowingly produce feed

grains in excess of the permitted feed grains acreage for the farm shall be ineligible for feed grains loans, purchases, and payments with respect to that farm. The provisions concerning planting flexibility in title V of the 1949 Act and the pilot bushel based program are exceptions to this rule.

Crop acreage bases.—The feed grains crop acreage base for each crop of feed grains shall be determined under title V of the 1949 Act.

Acreage devoted to conservation uses.—Under the acreage limitation program, producers must devote a number of acres on the farm to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the feed grains crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is referred to as "reduced acreage". The remaining part of the feed grains crop acreage base is referred to as "permitted acreage".

Except as provided in the 0/92 provisions, the individual farm program acreage shall be the acreage planted on the farm to feed grains for harvest within the permitted feed grains acreage for the farm.

Reduced acreage.—The producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm. If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops. The Secretary shall ensure that reductions in acreage used to compute deficiency payments under this provision are sufficient to ensure that this provision will result in no additional cost to the CCC.

The producers on a farm may also elect to—

(1) devote reduced acreage to an experimental or industrial nonprogram crop; or

(2) harvest a conserving crop on reduced acreage,

determined and announced by the Secretary (hereinafter referred to as an approved crop). If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this provision, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the

acreage planted or considered planted on the farm to all of such program crops.

Targeted option payments

If the Secretary implements an acreage limitation program for corn, the Secretary shall allow producers on a farm who do not receive payments under the 0/92 provisions to increase or decrease the acreage limitation percentage applicable to the crop of corn in return for adjustments in the level of deficiency payments. If a producer agrees to an increase in the acreage limitation percentage above the percentage announced by the Secretary, the producer shall be eligible to receive an increase in the established price for corn by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' corn acreage base. The acreage limitation percentage shall not be increased by more than 5 percentage points for the 1991 crop and 10 percentage points for each of the 1992-95 crops or above 20 percent total for the crop.

A producer shall be eligible to decrease the acreage limitation percentage announced by the Secretary (but not below ½ of the announced acreage limitation percentage), if the producer agrees to a decrease in the established price for corn for the purpose of calculating deficiency payments to be made available to the producer. The Secretary shall decrease the established price for corn by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' corn acreage base.

The Secretary shall implement the TOP for other feed grains similarly to the manner in which the program is implemented for corn.

The Secretary shall, to the extent practicable, ensure that the TOP does not have a significant effect on program participation or total production.

Administration of conservation use acreage

The Secretary shall ensure that conservation use acreage is protected from weeds and wind and water erosion. If they are participating in the acreage limitation program, feed grains producers must plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the reduced acreage, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop. The CCC shall pay 50 percent of the cost of establishing such cover (on not more than 50 percent of the reduced acreage or 5 percent of the feed grains crop acreage base) if the producer establishes a perennial cover on the reduced acreage.

If a producer establishes a perennial cover on the reduced acreage and receives cost-share assistance from the CCC, the producer shall agree to maintain the perennial cover for a minimum of 3 years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be devoted to sweet sorghum, guar, sesame,

safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodities, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Haying and grazing.—Haying and grazing of reduced acreage, acreage devoted to a conservation use under the 0/92 provisions, and acreage diverted under a land diversion program shall be permitted, except during any consecutive 5-month period that is established by the State ASC Committee. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State ASC Committee shall announce the establishment of the 5-month period no later than January 1 of each year. The Secretary may permit unlimited haying and grazing in the event of a natural disaster.

Water storage uses.—Land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent its conversion to water storage uses.

Land diversion payments

The Secretary may make land diversion payments to producers of feed grains, whether or not an acreage limitation program for feed grains is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. The land diversion payments shall be made to producers who divert land from the production of feed grains. The amounts payable under land diversion contracts may be determined through the submission of bids or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

The Secretary shall limit the total acreage to be diverted under land diversion agreements in any county or local community so as not to affect adversely the economy of the county or local community.

Conservation practices.—Reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph. The Secretary may provide for an additional payment on the acreage if the producer agrees to permit access to the farm by the general public, for hunting, trapping, fishing, and hiking.

Participation agreements

Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe. The Secretary and the producers may agree to modify or terminate an agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of feed grains.

Inventory Reduction Payments

Section 105A(f) of the 1949 Act provides that the Secretary shall make payments available to producers who agree to forgo obtaining a loan or purchase agreement for feed grains; agree to forgo receiving loan deficiency payments or deficiency payments for feed grains; do not plant feed grains for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program; and otherwise comply with the inventory reduction program.

Payments under this program may be made in the form of negotiable marketing certificates, and shall be determined in the same way as are loan deficiency payments.

Pilot Voluntary Production Limitation Program

Section 105A(g) of the 1949 Act requires the Secretary to carry out, for the 1991 or 1992 crop of feed grains, a pilot program in at least 15 counties in at least 4 States (60 total) where producers express an interest in participating. Under this program, the producers on a farm shall be considered to have met the requirements of an acreage limitation or land diversion program if they limit their marketings of feed grains to the feed grains production limitation quantity for the farm for the marketing year. The production limitation quantity for a farm for a marketing year shall equal the product obtained by multiplying—

(1) the acreage permitted to be planted to feed grains under the ARP or land diversion program in effect for the crop for the farm; by

(2) the higher of—

(i) the farm program payment yield for the farm; or

(ii) the average of the yield per harvested acre for feed grains for the farm for each of the 5 crop years immediately preceding the crop year during which the producers first participated in the pilot program, excluding the high and the low yield years and any crop year in which the commodity was not planted on the farm.

In order to participate in this pilot program, producers on a farm shall—

(1) enter into an agreement with the Secretary providing that the producers shall comply with the program for the crop;

(2) not plant program commodities for harvest in a quantity in excess of the normal crop acreage; and

(3) be considered to have complied with the terms and conditions of the feed grains ARP or land diversion program for the crop, even though the acreage planted to feed grains on the farm exceeds the permitted acreage provided under the acreage reduction or land diversion program.

Any quantity of feed grains produced in a crop year on a farm in excess of the production limitation quantity for the farm may be stored by the producers for a period of not to exceed 5 marketing years. The restricted uses of such excess feed grains are specifically described.

In carrying out the pilot program, the Secretary—

(1) shall issue necessary regulations;

(2) may require increased acreage reduction or land diversion requirements with respect to producers who have had excess feed grains production in order to allow the producers to market, barter, or use the production in subsequent years;

(3) shall take appropriate measures designed to prevent the circumvention of the program established under this subsection, including the imposition of penalties;

(4) may require producers who participate in the program for a crop, but who fail to comply with the terms and conditions of the program, to refund all or a part of any deficiency payments received with respect to the crop;

(5) may require the forfeiture to the CCC of any feed grains that is produced in excess of the production limitation quantity and that is not marketed, bartered, or used within 5 marketing years; and

(6) shall ensure equitable treatment for producers who participate in the pilot program if the Secretary allows increases (based on actual production levels) in the determination of farm program payment yields for feed grains for the farm.

The Comptroller General of the U.S. shall prepare a report that evaluates the pilot program carried out under this subsection and makes recommendations concerning whether the pilot program should be made available to all producers of each of the 1993 through 1995 crops of feed grains in the United States. The report shall be submitted to the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Secretary.

Failure to comply fully

If a producer fails to comply fully with the terms and conditions of the feed grain program conducted under this section, the Secretary may, nevertheless, make loans, purchases, and payments available to the producer in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State Agricultural Stabilization & Conservation Committees to waive or modify deadlines and other program requirements in cases in which lateness or

failure to meet the other requirements does not adversely affect the operation of the program.

Other provisions

The Secretary may issue such regulations as the Secretary determines necessary to carry out this section. The Secretary shall carry out the program authorized by this section through the CCC. The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act relating to assignment of payments shall apply to payments under this section. The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis and shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross-Compliance

Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments for a crop of feed grains. The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments for feed grains on the farm, to comply with the terms and conditions of the feed grains program with respect to any other farm operated by the producers.

Public Comment on feed grains Program

Section 105A(o) of the 1949 Act would require the Secretary to request public comment regarding the development of the annual feed grains program. Not less than 60 days before a program is announced for a crop of feed grains under this section, the Secretary shall propose for public comment various program options for the crop of feed grains. Each option proposed by the Secretary shall be accompanied by an analysis that includes the estimated planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that would likely result from each option.

Effective dates

Section 105A(p) of the 1949 Act provides that this section shall be effective only for the 1991-95 crops of feed grains.

Nonapplicability of section 105 of the Agricultural Act of 1949 to the 1991-95 crops of feed grains

Section 402 provides that section 105 of the Agricultural Act of 1949 shall not be applicable to the 1991-95 crops of feed grains.

Recourse loan program for silage

Section 403 amends section 403 of the Food Security Act of 1986 to extend the recourse loan program for silage through 1996.

TITLE V—COTTON

Loans, payments, and acreage reduction programs for the 1991-95 crops of upland cotton

Section 501 amends section 103A of the Agricultural Act of 1949 (the "1949 Act") to provide for a production adjustment and price support program for the 1991-95 crops of upland cotton as follows:

Loans

Section 103A(a) provided that the Secretary shall, on presentation of warehouse receipts or other acceptable evidence of title reflecting accrued storage charges of not more than 60 days, make nonrecourse price support loans available for the 1991-95 crops to producers for upland cotton produced on the farm for a term of 10 months from the first day of the month in which the loan is made at such level, per pound, as will reflect for the base quality of upland cotton, as determined by the Secretary, at average location in the U.S. a level that is not less than the smaller of—

(1) 85 percent of the average price (weighted by market and month) of such base quality of cotton as quoted in the designated U.S. spot markets during 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; or

(2) 90 percent of the average, for the 15-week period beginning July 1 of the year in which the loan level is announced, of the 5 lowest-priced growths of the growths quoted for Middling one and three-thirty-seconds inch cotton C.I.F. northern Europe (adjusted downward by the average difference during the period April 15 through October 15 of the year in which the loan is announced between the average northern European price quotation of such quality of cotton and the market quotations in the designated U.S. spot markets for the base quality of upland cotton, as determined by the Secretary.

The loan level for any crop may not be reduced by more than 5 percent from the level determined for the preceding crop, and may not be reduced below 50 cents per pound.

If for any crop the average northern European price determined under paragraph (1)(B) is less than the average U.S. spot market price determined under paragraph (1)(A), the Secretary may increase the loan level to such level as the Secretary may consider appropriate, but not in excess of the average U.S. spot market price.

Announcement

The loan level for any crop of upland cotton shall be determined and announced by the Secretary not later than November 1 of the calendar year preceding the marketing year for which the loan is to be effective. The level shall not be thereafter changed.

Extension of loans

Nonrecourse price support loans for upland cotton shall, on request of the producer during the 10th month of the loan period for

the cotton, be extended for an additional term of 8 months. However, a loan may not be extended during any month in which the average price of the base quality of upland cotton in the designated spot markets for the preceding month exceeded 130 percent of the average price of such base quality of cotton in the markets for the preceding 36-month period.

Repayment of upland cotton price support loans

In order to ensure that a competitive market position is maintained for upland cotton, section 103A(a)(5) of the 1949 Act provides that the Secretary shall permit a producer to repay a upland cotton price support loan for a crop at the lesser of—

(1) the loan level determined for the crop; or

(2) the prevailing world market price for upland cotton (adjusted to U.S. quality and location).

Alternative repayment rates

If the world market price for cotton is less than the loan level determined for the crop, the Secretary may permit a producer to repay a price support loan at such level (not in excess of the loan level determined for the crop) as the Secretary determines will—

(1) minimize potential loan forfeitures;

(2) minimize the accumulation of cotton stocks by the Federal Government;

(3) minimize the cost incurred by the Federal Government in storing cotton; and

(4) allow cotton produced in the U.S. to be marketed freely and competitively, both domestically and internationally.

Negotiable marketing certificates

If the program carried out under this section fails to make U.S. upland cotton fully competitive in world markets and the prevailing world market price of upland cotton is below the current loan repayment rate, to make U.S. upland cotton competitive in world markets and to maintain and expand domestic consumption and exports of upland cotton produced in the U.S., the Secretary shall provide for the issuance of negotiable marketing certificates.

The CCC, shall make payments, through the issuance of negotiable marketing certificates, to first handlers of cotton (persons regularly engaged in buying or selling upland cotton) who have entered into an agreement with the CCC to participate in this program. The payments shall be designed to make upland cotton produced in the U.S. available at competitive prices. The value of each certificate shall be based on the difference between the loan repayment rate for upland cotton and the prevailing world market price of upland cotton. The certificates shall be redeemable for agricultural commodities owned by the CCC, valued at the prevailing market price, or for cash.

If such certificate is not presented for redemption or marketing within a reasonable number of days after issuance, the Secretary may deduct reasonable costs of storage and other carrying charges from the value of the certificate. Insofar as practicable, the Secretary shall permit owners of certificates to designate the commodities and products, including storage sites, the owners would prefer

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in exchange for certificates. Any price restrictions that may otherwise apply to the disposition of agricultural commodities by the CCC shall not apply to the redemption of such certificates. The Secretary shall take such measures as are necessary to prevent the marketing or exchange of agricultural commodities and products for such certificates from adversely affecting the income of producers.

Negotiable marketing certificates issued to cotton handlers under this section may be transferred to other handlers and persons approved by the Secretary.

Prevailing world market price

The Secretary must prescribe by regulation a formula to define the prevailing world market price for upland cotton, and a mechanism by which the Secretary shall announce periodically the prevailing world market price for upland cotton.

Adjustment of prevailing world market price

The Secretary shall further adjust the prevailing world market price for upland cotton if—

(1) the adjusted prevailing world market price is less than 115 percent of the current crop year loan level for the base quality of upland cotton; and

(2) the Friday through Thursday average price quotation for the lowest-priced U.S. growth as quoted for Middling one and three-thirty seconds inch cotton delivered C.I.F. Northern Europe is greater than the average price of the 5 lowest-priced growths of upland cotton, as quoted for Middling one and three-thirty seconds inch cotton, delivered C.I.F. Northern Europe (hereinafter in this subsection referred to as the Northern Europe price).

The adjusted prevailing world market price shall be further adjusted on the basis of some or all of the following data, as available:

(1) The U.S. share of world exports.

(2) The current level of cotton export sales and cotton export shipments.

(3) Other data determined by the Secretary to be relevant in establishing an accurate prevailing world market price for upland cotton.

The above adjustment shall not exceed the difference between—

(1) the Friday through Thursday average price for the lowest-priced U.S. growth as quoted for Middling one and three-thirty seconds inch cotton C.I.F. Northern Europe; and

(2) the Northern Europe price.

Negotiable marketing certificates to maintain competitiveness.—If, during the period beginning August 1, 1991, and ending July 31, 1996, U.S. cotton is uncompetitive in world markets for a consecutive 4-week period, the Secretary shall issue negotiable marketing certificates to domestic users or exporters for documented sales made in the week following such consecutive 4-week period in order to make U.S. cotton competitive.

Special limited global import quota to offset uncompetitiveness.—The President shall, within 60 days after the date of enactment of this section, establish an import quota program which shall provide

that whenever the Secretary determines that U.S. cotton is uncompetitive in world markets for a consecutive 10-week period, there shall immediately be in effect a special limited global import quota. The quota shall be equal to 1 weeks consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the most recent 3 months for which data are available. The quota shall apply to upland cotton purchased not later than 90 days after the date of the establishment of the quota and entered not later than 180 days after the date of the establishment of the quota. A special quota period may not be established under this paragraph if a special quota period has been established under subsection (n) of section 103A of the 1949 Act.

Loan Deficiency Payments

Section 103A(b) of the 1949 Act requires the Secretary to make payments available to producers of the 1991-95 crops of upland cotton who, although eligible to obtain a loan under subsection (a), agree to forgo obtaining the loan for payments under this subsection. A payment under this subsection shall be based upon the amount by which the loan level exceeds the level at which the loan may be repaid. A producer may obtain such a payment on any quantity of upland cotton that the producer is eligible to place under loan but instead forgoes obtaining such loan and requests a payment. One-half of such a payment may be made available in the form of negotiable marketing certificates.

Deficiency payments

Section 103A(c) of the 1949 Act requires the Secretary to make available to producers deficiency payments for each of the 1991–95 crops of upland cotton. The deficiency payment is determined by multiplying the payment rate by the individual farm program acreage for the crop by the farm program payment yield for the crop for the farm.

The deficiency payment rate for upland cotton is the amount by which the established price for the crop exceeds the higher of—

(1) the national average market price received by producers during the first 5 months of the marketing year for the crop; or

(2) the loan level determined for the crop.

The established price for upland cotton cannot be less than $0.729 per pound for each of the 1991–95 crops.

50/92 program for upland cotton

Section 103A(c)(1)(D) provides that if an upland cotton acreage limitation program is in effect, a producer of upland cotton may devote a portion of the producer's permitted upland cotton acreage to conserving or other specified crops but still be eligible to receive deficiency payments on up to 92 percent of the producer's permitted upland cotton acreage. The deficiency payment rate under this provision may not be established at less than the projected deficiency payment rate for the crop. In order to be eligible to receive such payments, the producer must plant at least 50 percent of the producer's permitted upland cotton acreage to upland cotton. A producer may not have to comply with the 50 percent planting re-

quirement under this provision if a State or local agency has imposed in an area of a State or county a quarantine on the planting of upland cotton for harvest on farms in the area, or if the Secretary determines that producers on a farm are prevented from planting the acreage intended for upland cotton to upland cotton because of a natural disaster, or other condition beyond the control of the producer.

The upland cotton crop acreage base and upland cotton farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted upland cotton acreage of the farm was devoted to conserving uses. Any acreage considered to be planted to upland cotton in accordance with this provision may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program.

The Secretary may permit all or any part of acreage otherwise required to be devoted to conservation uses under the 50/92 provisions, to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the U.S., or commodities grown for experimental purposes (including kenaf). The Secretary may permit the acreage to be devoted to such production only if the Secretary determines that—

(1) the production itself is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(2) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of U.S. industry.

The Secretary is required to permit all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under the 50/92 provisions to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). However, in order to receive payments with respect to such acreage that is devoted to those oilseeds, the producers on the farm must choose between such deficiency payments or loan eligibility for all of the particular oilseed planted on the farm.

The total quantity of upland cotton on which payments would otherwise be payable to a producer on a farm for any crop under the 50/92 provisions shall be reduced by the quantity on which any disaster payment is made to the producer under section 103A(a)(2) of the 1949 Act.

Discretionary disaster payments

Prevented planting.—Section 103A(a)(2) of the 1949 Act provides that if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for

upland cotton to upland cotton because of a natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(1) the number of acres (not to exceed the previous year's plantings) that the producer was prevented from planting; by

(2) 75 percent of the farm program payment yield established for the farm by the Secretary; by

(3) a payment rate equal to 33⅓ percent of the established price for the crop.

Reduced yield.—If the Secretary determines that because of a natural disaster, or other condition beyond the control of the producers, the total quantity of upland cotton that the producers are able to harvest on any farm is less than 75 percent of the farm program payment yield multiplied by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Producers on a farm shall not be eligible for the disaster assistance provided for under this provision if crop insurance is available to the producers. The Secretary may waive this limitation if the Secretary determines that the producers have suffered substantial losses of production either from being prevented from planting upland cotton or other nonconserving crops or from reduced yields; the losses have created an economic emergency for the producers; crop insurance indemnity payments and other Federal assistance are insufficient to alleviate the economic emergency; or that additional assistance must be made available to the producers to alleviate the economic emergency.

Payment Yields

The farm program payment yields for farms for each crop of upland cotton shall be determined under title V of the 1949 Act.

Acreage Reduction Programs

Section 103A(e) provides that if the Secretary determines that the total supply of upland cotton will be excessive, the Secretary may provide for any crop of upland cotton an acreage limitation program as described in subsection (e). In making a determination concerning the supply of upland cotton, the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

The Secretary shall announce any acreage limitation program not later than November 1 of the calendar year preceding the year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section. The Secretary may revise the acreage limitation program first proclaimed for any crop year not later than January 1 of the calendar year in which the crop is harvested if the Secretary determines it necessary. If the Secretary determines that producers in early planting areas would be disadvantaged by such revision, such producers may elect

to participate in the acreage limitation program based on the terms and conditions for such program first proclaimed for the crop.

Carryover.—The Secretary shall carry out an acreage limitation program in a manner that will result in a carryover of 4 million bales of upland cotton or a ratio of carryover to total disappearance of 33 percent, whichever results in a higher carryover. The term "total disappearance" means all upland cotton utilization, including total domestic, total export, and total residual disappearance.

If, at the time of the final announcement of the acreage limitation program, it is determined that the carryover of upland cotton will be in excess of the desired carryover amount, the Secretary shall carry out a land diversion program in a manner that will result in the desired carryover.

Acreage limitation program

If a upland cotton acreage limitation program is announced by the Secretary, the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 25 percent) to the upland cotton crop acreage base for the crop for each upland cotton-producing farm. Producers who knowingly produce upland cotton in excess of the permitted upland cotton acreage for the farm shall be ineligible for upland cotton loans, purchases, and payments with respect to that farm. The provisions concerning planting flexibility in title V of the 1949 Act are an exception to this rule.

Crop acreage bases.—Upland cotton crop acreage bases for each crop of upland cotton shall be determined under title V of the 1949 Act.

Acreage devoted to conservation uses

Under the acreage limitation program, producers must devote a number of acres on the farm to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the upland cotton crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is referred to as "reduced acreage". The remaining part of the upland cotton crop acreage base is referred to as "permitted acreage".

Except as provided in the 50/92 provisions, the individual farm program acreage shall be the acreage planted on the farm to upland cotton for harvest within the permitted upland cotton acreage for the farm.

Reduced acreage.—The producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm. If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduc-

tion shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops. The Secretary shall ensure that reductions in acreage used to compute deficiency payments under this provision are sufficient to ensure that this provision will result in no additional cost to the CCC.

The producers on a farm may also elect to—

(1) devote reduced acreage to an experimental or industrial nonprogram crop; or

(2) harvest a conserving crop on reduced acreage, determined and announced by the Secretary (hereinafter referred to as an approved crop). If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this provision, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

Targeted option payments

If the Secretary implements an acreage limitation program for upland cotton, the Secretary shall allow producers on a farm who do not receive payments under the 50/92 provisions to increase or decrease the acreage limitation percentage applicable to the crop of upland cotton for in return for adjustments in the level of deficiency payments. If a producer agrees to an increase in the acreage limitation percentage above the percentage announced by the Secretary (but not above 10 percentage points or above 25 percent total), the producer shall be eligible to receive an increase in the established price for upland cotton by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' upland cotton acreage base.

A producer shall be eligible to decrease the acreage limitation percentage announced by the Secretary (but not below ½ of the announced acreage limitation percentage), if the producer agrees to a decrease in the established price for upland cotton for the purpose of calculating deficiency payments to be made available to the producer. The Secretary shall decrease the established price for upland cotton by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' upland cotton acreage base.

The Secretary shall, to the extent practicable, ensure that the TOP does not have a significant effect on program participation or total production.

Administration of conservation use acreage.

The Secretary shall ensure that conservation use acreage is protected from weeds and wind and water erosion. If they are participating in the acreage limitation program, upland cotton producers must plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the reduced acreage, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop. The CCC shall pay 50 percent of the cost of establishing such cover (on not more than 50 percent of the reduced acreage or 5 percent of the upland cotton crop acreage base) if the producer establishes a perennial cover on the reduced acreage.

If a producer establishes a perennial cover on the reduced acreage and receives cost-share assistance from the Corporation, the producer shall agree to maintain the perennial cover for a minimum of 3 years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Haying and grazing.—Haying and grazing of reduced acreage, acreage devoted to a conservation use under the 50/92 provisions, and acreage diverted under a land diversion program shall be permitted, except during any consecutive 5-month period that is established by the State ASC Committee. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State ASC Committee shall announce the establishment of the 5-month period no later than January 1 of each year. The Secretary may permit unlimited haying and grazing in the event of a natural disaster.

Water storage uses.—Land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent its conversion to water storage uses.

Land diversion payments

The Secretary may make land diversion payments to producers of upland cotton, whether or not an acreage limitation program for upland cotton is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. The land diversion payments shall be made to producers who divert land from the production of upland cotton. The amounts payable under land diversion contracts may be determined through the submission of bids or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the

Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

The Secretary shall limit the total acreage to be diverted under land diversion agreements in any county or local community so as not to affect adversely the economy of the county or local community.

Conservation practices.—Reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph. The Secretary may provide for an additional payment on the acreage if the producer agrees to permit access to the farm by the general public, for hunting, trapping, fishing, and hiking.

Participation agreements

Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe. The Secretary and the producers may agree to modify or terminate an agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of upland cotton.

Inventory Reduction Payments

Section 103A(f) of the 1949 Act provides that the Secretary shall make payments available to producers who agree to forgo obtaining a loan or purchase agreement for upland cotton; agree to forgo receiving loan deficiency payments or deficiency payments for upland cotton; do not plant upland cotton for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program; and otherwise comply with the inventory reduction program.

Payments under this program may be made in the form of negotiable marketing certificates, and shall be determined in the same way as are loan deficiency payments.

Failure to comply fully

If a producer fails to comply fully with the terms and conditions of the upland cotton program conducted under this section, the Secretary may, nevertheless, make loans, purchases, and payments available to the producer in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State Agricultural Stabilization & Conservation Committees to waive or modify deadlines and other program requirements in cases in which lateness or

failure to meet the other requirements does not adversely affect the operation of the program.

Other provisions

The Secretary may issue such regulations as the Secretary determines necessary to carry out this section. The Secretary shall carry out the program authorized by this section through the CCC. The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act relating to assignment of payments shall apply to payments under this section. The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis and shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross-compliance

Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments for a crop of upland cotton. The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments for upland cotton on the farm, to comply with the terms and conditions of the upland cotton program with respect to any other farm operated by the producers.

Special limited global import quota

Section 103A(n) provides for the establishment of a special limited global import quota for cotton whenever the average price of the base quality of upland cotton in the designated spot markets for a month exceeded 130 percent of the average price of the quality of cotton in the markets for the preceding 36 months. When a special quota is established under this subsection, cotton may be entered under the quota during the 90-day period beginning on the effective date of the proclamation. A special quota period may not be established that overlaps an existing quota period or a special quota period established under subsection (a)(5)(F) of section 103A of the 1949 Act.

Recourse loans for seed cotton

Section 103A(o) provides that in order to encourage and assist producers in the orderly ginning and marketing of their production of upland cotton, the Secretary shall make recourse loans available to such producers on seed cotton in accordance with authority vested in the Secretary under the Commodity Credit Corporation Charter Act.

Effective date

Section 103A(p) provides that this section shall be effective only for the 1991–95 crops of upland cotton.

Suspension of base acreage allotments, marketing quotas, and related provisions

Section 502 suspends the application of sections 342, 343, 344, 345, 346, and 377 of the Agricultural Adjustment Act of 1938 with respect to any of the 1991–95 crops of upland cotton.

Miscellaneous cotton provisions

Section 503 provides that sections 103 and 203 of the Agricultural Act of 1949 shall not be applicable to the 1991–95 crops.

Skiprow practices

Section 504 amends section 374(a) of the Agricultural Adjustment Act of 1938 to provide that, for the 1990–95 crops, the Secretary shall take other skiprow practices into account for the purpose of classifying the acreage planted to cotton and the acreage skipped.

Preliminary allotments for 1996 crop of upland cotton

Section 505 provides that the permanent State, county, and farm base acreage allotments for the 1977 crop of upland cotton, adjusted for any underplantings in 1977 and reconstituted as provided in section 379 of the Agricultural Adjustment Act of 1938 shall be the preliminary allotments for the 1996 crop.

Extension of extra long staple cotton program

Section 506 amends section 103(h) of the 1949 Act to extend the extra long staple cotton program through the 1995 crop, under the same terms and conditions as existed for the 1990 crop. The provisions on cross-compliance and offsetting compliance are made consistent with similar provisions in the wheat, feed grains, upland cotton, and rice programs.

Adverse effect on cottonseed or cottonseed oil

Section 507 provides that if the Secretary determines that the price support program for oilseeds carried out under section 205 of the Agricultural Act of 1949 (as added by section 801 of this Act) causes, or is likely to cause, a reduction in prices received by producers of cottonseed or by processors of cottonseed oil, the Secretary shall take such actions as is determined necessary to offset the actual or anticipated impact of the oilseed program on prices of cottonseed or cottonseed oil.

TITLE VI—RICE

Loans, payments, and acreage reduction programs for the 1991–95 crops of rice

Section 601 amends section 101A of the Agricultural Act of 1949 (the "1949 Act") to provide for a production adjustment and price support program for the 1991–95 crops of rice as follows:

Loans and purchases

Section 101A(a) of the 1949 Act provides that the Secretary shall make available to rice producers nonrecourse loans and purchases

for the 1991-95 crops of rice produced on the farm at not less than the higher of—

(1) 85 percent of the simple average price received by producers during the marketing years for the immediately preceding 5 crops of rice, excluding the high and low years; or

(B) $6.50 per hundredweight.

The loan level for any crop of rice may not be reduced by more than 5 percent from the preceding crop.

Announcement of loan and purchase level

The loan and purchase level and the established price for each of the 1991-95 crops of rice shall be announced by January 31 of each calendar year for the crop harvested in the calendar year.

Duration of loan

Section 101A(a)(4) of the 1949 Act provides that rice price support loans shall mature in 9 months.

Repayment of rice price support loans

In order to ensure that a competitive market position is maintained for rice, section 101A(a)(5) of the 1949 Act provides that the Secretary shall permit a producer to repay a rice price support loan for a crop at the lesser of—

(1) the loan level determined for the crop; or

(2) the higher of—

(A) 70 percent of the loan level; or

(B) the prevailing world market price for rice.

Prevailing world market price

The Secretary must prescribe by regulation a formula to define the prevailing world market price for rice, and a mechanism by which the Secretary shall announce periodically the prevailing world market price for rice.

Negotiable marketing certificates

As a condition of permitting a producer to repay a rice price support loan, the Secretary may require a producer to purchase a negotiable marketing certificates equal in value to one-half the difference between the amount of the loan obtained by the producer and the amount of the loan repayment. The certificates shall be redeemable for agricultural commodities owned by the CCC, valued at the prevailing market price, or for cash.

If such certificate is not presented for redemption or marketing within a reasonable number of days after issuance, the Secretary may deduct reasonable costs of storage and other carrying charges from the value of the certificate. Insofar as practicable, the Secretary shall permit owners of certificates to designate the commodities and products, including storage sites, the owners would prefer to receive in exchange for certificates. Any price restrictions that may otherwise apply to the disposition of agricultural commodities by the CCC shall not apply to the redemption of such certificates. The Secretary shall take such measures as are necessary to prevent the marketing or exchange of agricultural commodities and

products for such certificates from adversely affecting the income of producers.

Maintaining competitiveness

Whenever, during the period beginning August 1, 1991, and ending July 31, 1996, the world price for a class of rice (adjusted to U.S. qualities and location) is below the current loan repayment rate for that class of rice, the CCC shall make payments, through the issuance of negotiable marketing certificates, to persons who have entered into an agreement with the CCC to participate in the program established under this subparagraph. The payments shall be made in such monetary amounts and subject to such terms and conditions as the Secretary determines will make rice produced in the U.S. available at competitive prices. The value of each certificate issued under this subparagraph shall be based on the difference between—

(1) the loan repayment rate for the class of rice; and

(2) the prevailing world market price for the class of rice, as determined by the Secretary.

Simple average price

Section 101A(a)(6) of the 1949 Act provides that the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

Loan deficiency payments.

Section 101A(b) of the 1949 Act requires the Secretary to make payments available to producers of the 1991–95 crops of rice who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement for payments under this subsection. A payment under this subsection shall be based upon the amount by which the loan level exceeds the level at which the loan may be repaid. A producer may obtain such a payment on any quantity of rice that the producer is eligible to ~~place~~ under loan but instead forgoes obtaining such loan and requests a payment. One-half of such a payment may be made available in the form of negotiable marketing certificates.

Deficiency payments

Section 101A(c) of the 1949 Act requires the Secretary to make available to producers deficiency payments for each of the 1991–95 crops of rice. The deficiency payment is determined by multiplying the payment rate by the individual farm program acreage for the crop by the farm program payment yield for the crop for the farm.

The deficiency payment rate for rice is the amount by which the established price for the crop exceeds the higher of—

(1) the national average market price received by producers during the first 5 months of the marketing year for the crop; or

(2) the loan level determined for the crop.

The established price for rice cannot be less than $10.71 per hundredweight for each of the 1991–95 crops.

50/92 program for rice

Section 101A(c)(1)(D) provides that if a rice acreage limitation program is in effect, a producer of rice may devote a portion of the producer's permitted rice acreage to conserving or other specified crops but still be eligible to receive deficiency payments on up to 92 percent of the producer's permitted rice acreage. In order to be eligible to receive such payments, the producer must plant at least 50 percent of the producer's permitted rice acreage to rice.

A producer may not have to comply with the 50 percent planting requirement under this provision if a State or local agency has imposed in an area of a State or county a quarantine on the planting of rice for harvest on farms in the area, or if the Secretary determines that producers on a farm are prevented from planting the acreage intended for rice to rice because of a natural disaster, or other condition beyond the control of the producers.

The rice crop acreage base and rice farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted rice acreage of the farm was devoted to conserving uses. Any acreage considered to be planted to rice in accordance with this provision may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program.

The Secretary may permit all or any part of acreage otherwise required to be devoted to conservation uses under the 50/92 provisions, to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the U.S., or commodities grown for experimental purposes (including kenaf). The Secretary may permit the acreage to be devoted to such production only if the Secretary determines that—

(1) the production itself is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(2) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of U.S. industry.

The Secretary is required to permit all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under the 50/92 provisions to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). However, in order to receive payments with respect to such acreage that is devoted to those oilseeds, the producers on the farm must choose between such deficiency payments or loan eligibility for all of the particular oilseeds planted on the farm.

The total quantity of rice on which payments would otherwise be payable to a producer on a farm for any crop under the 50/92 pro-

visions shall be reduced by the quantity on which any disaster payment is made to the producer under section 101A(a)(2) of the 1949 Act.

Discretionary disaster payments

Prevented Planting.—If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for rice to rice because of a natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(1) the number of acres (not to exceed the previous year's plantings) that the producer was prevented from planting; by

(2) 75 percent of the farm program payment yield established for the farm by the Secretary; by

(3) a payment rate equal to 33⅓ percent of the established price for the crop.

Reduced Yield.—If the Secretary determines that because of a natural disaster, or other condition beyond the control of the producers, the total quantity of rice that the producers are able to harvest on any farm is less than 75 percent of the farm program payment yield multiplied by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Producers on a farm shall not be eligible for the disaster assistance provided for under this provision if crop insurance is available to the producers. The Secretary may waive this limitation if the Secretary determines that the producers have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields; the losses have created an economic emergency for the producers; crop insurance indemnity payments and other Federal assistance are insufficient to alleviate the economic emergency; and additional assistance must be made available to the producers to alleviate the economic emergency.

Payment yields

The farm program payment yields for farms for each crop of rice shall be determined under title V of the 1949 Act.

Acreage reduction programs

Section 101A(e) provides that if the Secretary determines that the total supply of rice will be excessive, the Secretary may provide for any crop of rice an acreage limitation program as described in subsection (e). In making a determination concerning the supply of rice, the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

Announcements.—The Secretary shall announce any acreage limitation program not later than January 31 of the calendar year in which the crop is harvested, except that in the case of the 1991

crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section.

Carryover.—The Secretary shall carry out an acreage limitation program in a manner that will result in carryover stocks of rice equal to 16.5 to 20 percent of the simple average of the total disappearance of rice for each of the 3 marketing years preceding the year for which the announcement is made. The term "total disappearance" means all rice utilization, including total domestic, total export, and total residual disappearance.

Acreage limitation program

If a rice acreage limitation program is announced by the Secretary, the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 35 percent) to the rice crop acreage base for the crop for each rice-producing farm. Producers who knowingly produce rice in excess of the permitted rice acreage for the farm shall be ineligible for rice loans, purchases, and payments with respect to that farm. The provisions concerning planting flexibility contained in title V of the 1949 Act are exceptions to this rule.

Crop acreage bases.—Rice crop acreage bases for each crop of rice shall be determined under title V of the 1949 Act.

Acreage devoted to conservation uses

Under the acreage limitation program, producers must devote a number of acres on the farm to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the rice crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is referred to as "reduced acreage". The remaining part of the rice crop acreage base is referred to as "permitted acreage".

Except as provided in the 50/92 provisions, the individual farm program acreage shall be the acreage planted on the farm to rice for harvest within the permitted rice acreage for the farm.

Reduced acreage.—The producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm. If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops. The Secretary shall ensure that reductions in acreage used to compute deficiency payments under this provision are sufficient to ensure that this provision will result in no additional cost to the CCC.

The producers on a farm may also elect to—

(1) devote reduced acreage to an experimental or industrial nonprogram crop; or

(2) harvest a conserving crop on reduced acreage, determined and announced by the Secretary (hereinafter in this subparagraph referred to as an approved crop). If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this provision, the amount of the deficiency payment that the producers are otherwise eligible to receive shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

Targeted option payments.

If the Secretary implements an acreage limitation program for rice of 20 percent or less, the Secretary shall allow producers on a farm who do not receive payments under the 50/92 provisions to increase or decrease the acreage limitation percentage applicable to the crop of rice for in return for adjustments in the level of deficiency payments.

If a producer agrees to an increase in the acreage limitation percentage above the percentage announced by the Secretary (but not above 5 percentage points), the producer shall be eligible to receive an increase in the established price for rice by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' rice acreage base.

A producer shall be eligible to decrease the acreage limitation percentage announced by the Secretary (but not below 1/2 of the announced acreage limitation percentage), if the producer agrees to a decrease in the established price for rice for the purpose of calculating deficiency payments to be made available to the producer. The Secretary shall decrease the established price for rice by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' rice acreage base.

The Secretary shall, to the extent practicable, ensure that the TOP does not have a significant effect on program participation or total production.

Administration of conservation use acreage.

The Secretary shall ensure that conservation use acreage is protected from weeds and wind and water erosion. If they are participating in the acreage limitation program, rice producers must plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the reduced acreage, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop. The CCC shall pay 50 percent of the

cost of establishing such cover (on not more than 50 percent of the reduced acreage or 5 percent of the rice crop acreage base) if the producer establishes a perennial cover on the reduced acreage.

If a producer establishes a perennial cover on the reduced acreage and receives cost-share assistance from the CCC, the producer shall agree to maintain the perennial cover for a minimum of 3 years.

Conserving crops.—The Secretary may permit all or any part of the reduced acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

Haying and grazing.—Haying and grazing of reduced acreage, acreage devoted to a conservation use under the 50/92 provisions, and acreage diverted under a land diversion program shall be permitted, except during any consecutive 5-month period that is established by the State ASC Committee. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State ASC Committee shall announce the establishment of the 5-month period no later than January 1 of each year. The Secretary may permit unlimited haying and grazing in the event of a natural disaster.

Water storage uses.—Land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent its conversion to water storage uses.

Land diversion payments

The Secretary may make land diversion payments to producers of rice, whether or not an acreage limitation program for rice is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. The land diversion payments shall be made to producers who divert land from the production of rice. The amounts payable under land diversion contracts may be determined through the submission of bids or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

The Secretary shall limit the total acreage to be diverted under land diversion agreements in any county or local community so as not to affect adversely the economy of the county or local community.

Conservation practices.—Reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate

share of the cost of practices designed to carry out the purposes of this subparagraph. The Secretary may provide for an additional payment on the acreage if the producer agrees to permit access to the farm by the general public, for hunting, trapping, fishing, and hiking.

Participation agreements

Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe. The Secretary and the producers may agree to modify or terminate modify an agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of rice.

Inventory reduction payments

Section 101A(f) of the 1949 Act provides that the Secretary shall make payments available to producers who agree to forgo obtaining a loan or purchase agreement for rice; agree to forgo receiving loan deficiency payments or deficiency payments for rice; do not plant rice for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program; and otherwise comply with the inventory reduction program.

Payments under this program may be made in the form of negotiable marketing certificates, and shall be determined in the same way as are loan deficiency payments.

Failure to comply fully

If a producer fails to comply fully with the terms and conditions of the rice program conducted under this section, the Secretary may, nevertheless, make loans, purchases, and payments available to the producer in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State Agricultural Stabilization & Conservation Committees to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet the other requirements does not adversely affect the operation of the program.

Other provisions

The Secretary may issue such regulations as the Secretary determines necessary to carry out this section. The Secretary shall carry out the program authorized by this section through the CCC. The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act relating to assignment of payments shall apply to payments under this section. The Secretary shall provide for the sharing of payments made under this section for any farm among the

producers on the farm on a fair and equitable basis and shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

Cross-compliance

Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments for a crop of rice. The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments for rice on the farm, to comply with the terms and conditions of the rice program with respect to any other farm operated by the producers.

Section 101A(n) of the 1949 Act provides that this section shall be effective only for the 1991-95 crops of rice.

Title VII—Peanuts

Suspension of marketing quotas and acreage allotments

Section 701 strikes the following provisions of the Agricultural Adjustment Act of 1938 for the years 1991–95: Subsections (a) through (j) of section 358, Subsections (a) through (h) of section 358a, Subsections (a), (b), (d), and (e) of 359, Part I of subtitle C of title III (7 U.S.C. 1361 et seq.), and Section 371.

National poundage quotas and acreage allotments

Section 702 strikes section 358 of the Agricultural Adjustment Act of 1938 and adds a new section as follows:

(a) For 1991–95 Crops of Peanuts, the National poundage quotas are set at a minimum total of 1.35 million tons. These quota must be announced by December 15 of the preceding marketing year. Apportionment between States shall retain the current relationship of total percentage produced.

(b) Farm poundage quotas are set for farms producing in 2 of the last 3 years. Transferred quotas may to be considered as produced.

Section 702 also describes how increased quota allocation shall be set on a farm that had a marketing quota for the previous year or has produced quota peanuts in at least 2 of the last 3 years.

Rules for allocation of increased quota in Texas are set out separately in order to increase the availability of quota in Texas where additional peanuts have been grown for years.

There are special rules for increasing a tenant's share of increased quota requiring that increases are shared equally with the owner of the farm. In the past, only the owner of the farm received the increase in quota.

This section also describes the manner in which the Secretary may reduce quota that has not been produced in 2 of the last 3 years.

Quota will be considered produced if the lack of production was due to a flood, other natural disasters, or was a circumstance beyond the control of the farmer.

Quota may be permanently released by an owner.

Sale, lease, or transfer of farm poundage quota

Section 703 amends the Agricultural Adjustment Act of 1938 by striking subsections (i) through (1) of section 358a and by inserting after section 358a the following new section:

Section 703 describes the terms and conditions of fall lease and transfer to include the restriction that not less than 90 percent of the basic quota, plus any poundage quota transferred to the farm has been planted or considered planted on the farm from which the quota is to be leased and allows the Secretary to prescribe other restrictions by regulation.

This section also allows the transfer to other self-owned farms within the same county as well as setting less restrictive guidelines on transfers in States with farm poundage quota totals of less than 10,000 tons.

Marketing penalties; disposition of additional peanuts

Section 704 sets the penalties for marketing excess quota and describes the conditions under which additional peanuts can be marketed and used. This section also describes the penalties for noncompliance and levels that would be considered nonintentional violations.

The section also addresses the issue of sound splits and the limit on quantities that can be delivered, and states that penalties may not be levied on producers for having sound splits, while there may be premiums paid to those producers delivering quantities containing few sound splits.

The section sets the guidelines for marketing peanuts owned by the CCC.

Experimental and research programs for peanuts

Section 705 allows States to use some of the quota allocation for research at land grant colleges and universities as well as the Agriculture Research Service.

Price support program

Section 706 amends the current mechanism for the establishment of the national average quota support rates for the 1991–95 crops of peanuts as follows:

(a) For the 1991 crop, the support rate would be the same as the support rate for the 1990 crop, adjusted to reflect any increase during 1990 in the cost of peanut production (excluding any change in the cost of land). However, the support rate for the 1991 crop could not exceed by more than 8 percent the support rate for the 1990 crop.

(b) For the 1992 and 1994 crops, the support rate would be the same as the support rate for the immediately preceding crop without any adjustment for changes in the cost of peanut production.

(c) For the 1993 and 1995 crops, the support rate would be the same as the support rate for the immediately preceding crop, adjusted to reflect any increase, during the two calendar years immediately preceding the marketing year for the crop for which a level of support is being determined, in the nation-

al average cost of peanut production (excluding any change in the cost of land). However, the total of any increases in the cost of peanut production for each of the two preceding years could not exceed an average of 4 percent.

This section also describes how price support shall be made available for additional peanuts.

The Secretary is required to make warehouse storage loans available for the three major producing regions. The Secretary shall require that area marketing associations pool their peanuts and keep complete records.

This section also describes how pool funds shall be distributed among producers.

This section sets out goals for quality enhancement.

Reports and records

Section 707 changes the word "farmer" to "producers" in the description of those persons that need to keep records.

Suspension of certain price support provisions

Section 708 makes section 101 of the 1949 Act null and void with respect to the 1991–95 crops of peanuts.

Regulations

Section 709 requires the Secretary to hold a hearing in Atlanta, Georgia, to discuss the promulgation of regulations for this title and to publish a notice of the meeting in the Federal Register within 30 days from the enactment of this bill.

TITLE VIII—OILSEEDS

Loans and payments for oilseeds for 1991-95 marketing years

Section 801 amends section 201 of the Agricultural Act of 1949 (the "1949 Act") to provide for a production adjustment and price support program for the 1991-95 crops of oilseeds.

Addition of oilseeds

Section 201 of the 1949 Act, which provides for price support of nonbasic agricultural commodities, is amended to include soybeans, sunflower seeds, canola, rapeseed, safflower, flaxseed, and such other oilseeds as the Secretary may determine.

Definition of oilseeds

Section 205(a) of the 1949 Act defines oilseeds to include soybeans, sunflower seeds, canola, rapeseed, safflower, flaxseed, and such other oilseeds as the Secretary may determine.

Nonrecourse loans

Section 205(b) provides that the Secretary shall support the price of oilseeds through nonrecourse loans for oilseeds produced on the farm in each of the 1991–95 marketing years as provided in this section.

Section 205(c) establishes the loan level for each of the 1991-95 crops of soybeans at $5.50 per bushel. The loan level for sunflower seeds, canola, rapeseed, safflower, and flaxseed shall be $0.097 per

pound for each of the 1991–95 crops. The Secretary shall determine the loan level for other oilseeds, taking into account the historical price relationship between each type of oilseeds and soybeans, the prevailing loan level for soybeans, and the historical meal oil content of each type of oilseeds and soybeans.

Adjustment of loan levels

Section 205(c) also provides that the loan level for soybeans may be reduced dependent upon the Secretary's estimate of the stocks-to-use ratio for any of the 1991-95 crops of soybeans. If the stocks-to-use ratio is over 20 percent, the loan level for the crop may be reduced to $5.25 per bushel. If the stocks-to-use ratio is over 25 percent, the loan level for the crop may be reduced to $5.00 per bushel. The Secretary shall make the stocks-to-use determination not later than September 30 of the year previous to the year in which the crop of soybeans is harvested.

If the Secretary makes such an adjustment in the soybean loan level, a corresponding adjustment shall be made in the loan level for all other oilseeds. Any such reduction in the loan level shall not be considered in determining the loan level for subsequent years.

Repayment of oilseed price support loans

Section 205(d) requires the Secretary to permit a producer of oilseeds to repay a loan made under this section for a crop at a level that is the lesser of—

(A) the loan level determined for the crop; or

(B) the prevailing world market price for the applicable oilseed (adjusted for location differentials).

Prevailing world market price

Section 205(d) also requires the Secretary to prescribe by regulation a formula to define the prevailing world market price for oilseeds, and a mechanism by which the Secretary shall periodically announce the prevailing world market price for oilseeds.

Loan deficiency payment

Section 205(e) authorizes the Secretary to make payments available to producers of the 1991-95 crops of oilseeds who, although eligible to obtain a loan under subsection (b), agree to forgo obtaining the loan in return for payments under this subsection. A payment under this subsection shall be based on the amount by which the loan level exceeds the level at which the loan may be repaid. A producer may obtain such payment on any quantity of oilseeds that the producer is eligible to place under loan but instead forgoes obtaining such loan in return for payments.

Marketing Year

Section 205(f) provides that the marketing year for soybeans shall be the 12-month period beginning on September 1 and ending on August 31. The marketing year for each type of oilseeds, other than soybeans, shall be prescribed by the Secretary by regulation.

Announcements

Section 205(g) requires that the Secretary make a preliminary announcement of the price support level for each type of oilseeds by July 15 of the year prior to the marketing year for the crop. A final announcement of the price support level shall be made not later than November 15 of the year prior to the marketing year for the crop.

No production adjustment program

Section 205(h) prohibits the Secretary from requiring a producer to participate in any production adjustment program for oilseeds or any other commodity as a condition of eligibility for price support for oilseeds. Except as otherwise provided in this Act, the Secretary shall not permit the planting of soybeans for harvest on acreage required to be devoted to conservation uses or diverted from production under any other Federal Government program. The Secretary may not authorize payments to producers to cover the cost of storing soybeans. Soybeans may not be considered an eligible commodity for any reserve program.

Effective dates

Section 205(i) of the 1949 Act provides that this section shall be effective only for the 1991-95 crops of oilseeds.

TITLE IX—SUGAR

Sugar price support

Section 901 amends title II of the Agricultural Act of 1949 (the 1949 Act) to add a new section 206 of such Act which reauthorizes the sugar price support program as follows:

Sugar price support for 1991-95 crops

Section 206(a) provides that the price of each of the 1991–95 crops of sugar beets and sugarcane, respectively, shall be supported in accordance with this section.

Nonrecourse loans and loan level

Section 206(b) provides that the price for sugarcane shall be supported through the use of nonrecourse loans at a level no less than 18 cents per pound for raw cane sugar. Subsection (c) provides that the price for sugar beets shall be supported through nonrecourse loans at such level as the Secretary determines is fair and reasonable in relation to the loan level established for sugarcane.

Adjustment in support price

Subsection 206(d) provides that the Secretary may increase the support price for sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 crop years immediately preceding the crop year for which the determination is made) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production. The Secretary must submit a

report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate concerning the Secretary's determination.

Announcement of program

Subsection 206(e) requires the Secretary to announce the loan rate for sugarcane and sugar beets as far in advance of the beginning of the applicable fiscal year as is practicable, consistent with the purposes of this section.

Term of loans

Section 206(f) provides that sugar price support loans shall be made available not earlier than the beginning of the fiscal year and shall mature at the earlier of the end of nine months; or the end of the fiscal year.

Supplementary nonrecourse loans

In order for producers who are in sugar beet producing areas that normally harvest during the last three months of a fiscal year to still receive the benefit of a nine month price support loan, subsection 206(g) provides for a supplementary loan to be made available, to each borrower of a price support loan made and repaid during the last three months of the fiscal year on sugar processed from sugar beets so harvested. The supplementary loan shall be at the same level as the first price support loan and shall be made available to the borrower on the first day after the beginning of the fiscal year and shall be of a duration to ensure that the producer receives the benefit of a 9 month price support loan.

Effective date

The price support program for sugar provided for by this section shall be effective only for the 1991-95 crops of sugar beets and sugarcane.

Technical provisions

Section 901 of the legislation also amends section 201 of the 1949 Act as follows:

(1) in the matter preceding subsection (a), by striking "honey, and milk" and inserting "honey, milk, sugar beets, and sugarcane"; and

(2) by striking subsection (j).

TITLE X—GENERAL COMMODITY PROVISIONS

SUBTITLE A—ACREAGE BASE AND YIELD SYSTEM

Acreage base and yield system

Section 1001 amends Title V of the Agricultural Act of 1949 (the "1949 Act") to provide for a system of acreage bases and payment yields for program commodities through 1995.

Purpose

Section 501 of the 1949 Act describes the purpose of the title to prescribe a system to establish normal and crop acreage bases and

program payment yields for the wheat, feed grains, upland cotton, extra long staple cotton, and rice programs that is efficient, equitable, flexible, and predictable.

Definitions

Section 502 of the 1949 Act defines several terms for use in the title. "County committee" means the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act. Normal crop acreage (NCA) is the sum of the crop acreage bases established for program crops and historical oilseed plantings for a farm. Oilseed includes soybeans, sunflowers, rapeseed, canola, safflower seed, flaxseed and other oilseeds as designated by the Secretary. Program crops include wheat, corn, grain sorghum, oats, barley, upland cotton, extra long staple cotton, or rice.

Normal crop acreage

Section 503 of the 1949 Act authorizes the Secretary to establish and maintain a normal crop acreage for the 1991 and subsequent crop years. The County ASC Committee, in accordance with regulations prescribed by the Secretary, shall determine the normal crop acreage for a farm for a crop year.

Crop acreage bases

Section 504(a) of the 1949 Act authorizes the Secretary to establish and maintain program crop acreage bases, including double cropping acres, and historical oilseed plantings for a farm. Double cropping means a farming practice carried out on a farm during at least 3 of the 5 crop years immediately preceding the crop year for which the crop acreage base for the farm is established.

Section 504(b) provides that the crop acreage base for each program crop and the historical oilseed plantings for a farm shall be the number of acres equal to the average of the acreage planted and considered planted to the program crop or oilseed for harvest in each of the 5 crop years preceding the crop year.

A separate calculation for upland cotton and rice is established where no planted and considered planted acreage has been established for a farm for each of the 5 crop years preceding such crop year. The crop acreage base for such crop shall be equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the 5 crop years preceding such crop year, excluding all crop years in which planted and considered planted acreage was not established for the farm, but shall not exceed the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the two immediately preceding crop years.

Section 504(c) defines acreage considered planted to include—

(1) any reduced and diverted acreage;

(2) any acreage that producers were prevented from planting to the crop because of a natural disaster or other condition beyond the control of the producers;

(3) acreage equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to con-

servation uses or the production of commodities permitted by the Secretary;

(4) acreage equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to the production of commodities in accordance with the planting flexibility provisions;

(5) any acreage the Secretary determines be included to establish a fair and equitable crop acreage base; and

(6) the permitted acreage for the crop, if producers on the farm certify that no acreage on the farm was planted to the crop and forgo receiving any payments under the program established under title I of the 1949 Act for the crop.

Section 504(d) of the 1949 Act authorizes the County ASC Committee to construct a planting history for the crop if planting records for any of the 5 crop years are incomplete or unavailable or if the program crop or oilseed was not produced on the farm during at least 1 but not more than 4 of the 5 crop years preceding the crop year.

Section 504(e) of the 1949 Act provides that the Secretary shall make adjustments to reflect crop rotation practices and such other factors as the Secretary determines should be considered in determining a fair and equitable crop acreage base, including adjustments necessary to enable producers to meet the conservation requirements of title XII of the Food Security Act of 1985.

Section 504(f) of the 1949 Act provides that if the County ASC Committee determines that a natural disaster prevented the planting of, or substantially destroyed a planted crop prior to harvest, the producer may plant any other crop on the program crop acreage, including historical oilseed plantings, that was prevented from being planted or harvested. Such determination shall be without regard to any ARP established for the crop. Where a substitute crop is planted, the acreage on which the substitute crop is planted will be treated as acreage planted to the original crop for purposes of determining the normal crop acreage, the crop acreage base, or historical oilseed plantings.

Section 504(g) of the 1949 Act provides that a producer who receives a deficiency payment for any program crop may not use the acreage planted or considered planted to any program crop or oilseed on the farm in the crop year to increase any crop acreage base established for the farm in a subsequent crop year.

Planting flexibility

Section 505(a) of the 1949 Act authorizes a producer to plant a commodity, other than the specific program crop, on the crop acreage base without suffering a reduction in that base.

Section 505(b) of the 1949 Act defines the commodities that may be planted for harvest on a crop acreage base to include any program crop; any oilseed; and any nonprogram, non-oilseed crop.

Section 505(c) of the 1949 Act limits the producer to planting 25 percent of the crop acreage base to a commodity other than the specific program crop under this section.

Section 505(d) of the 1949 Act permits a producer to plant a program crop in excess of their permitted acreage for the crop without

losing their eligibility for loans, purchases, or payments under this Act. Such overplanted acreage may not exceed 25 percent of the crop acreage bases on the farm for other program crops. Also, the permitted acreage for the other program crops produced on the farm must be reduced by an amount equal to the overplanting.

Section 505(e) of the 1949 Act provides for a situation in which a producer of a specific, original program crop plants for harvest on the crop acreage base another program crop and is not a participant in the program established for such other program crop. This producer would be eligible to receive loans or purchases for such other program crop on the same terms and conditions as are provided to participants in a production adjustment program established for such other program crop. Producers of such other program crop could not plant more than 25 percent of the original program crop acreage to the other program crop, and would have to reduce their permitted acreage for the original program crop for the particular crop year.

Farm program payment yields

Section 506(a) of the 1949 Act requires the Secretary to establish a farm program payment yield for each farm for each program crop for each crop year in accordance with subsection (b) or (c).

Section 506(b) of the 1949 Act permits the Secretary to determine that the farm program payment yields for each of the 1991-95 crop years shall be equal to the farm program payment yield for the 1990 crop year for the farm.

For each of the 1991-95 crop years, if the farm program payment yield is reduced more than 10 percent below the 1985 farm program payment yield, the Secretary shall make available to producers established price payments for the commodity. The established price payments shall equal the amount the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 10 percent below the farm program payment yield for the 1985 crop year.

If the commodity was not produced on the farm or no farm program payment yield was established for the farm for any of the 1986 through 1990 crop years, the farm program payment yield shall be established on the basis of the average farm program payment yield for the crop years for similar farms in the area.

The Secretary may establish national, State, or county program payment yields on the basis of historical yields, adjusted for abnormal factors affecting the yields in the historical period, or the Secretary's estimate of actual yields for the crop year involved, if historical yield data is not available. If national, State, or country program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

Section 506(c) of the 1949 Act permits the Secretary to determine that the farm program payment yields for each of the 1991-95 crop years shall be equal to the average of the yield per harvested acre for the crop for the farm for each of the 5 crop years immediately preceding the crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per

harvested acre, and any crop year in which the crop was not planted on the farm.

Under subsection (c), the actual yield per harvested acre shall be used in determining farm program payment yields. The County ASC Committee may adjust any program yield for any program crop for any farm if the program yield for the crop on the farm does not accurately reflect the productive potential of the farm because of the occurrence of a natural disaster or other similar condition beyond the control of the producer.

Section 506(d) of the 1949 Act permits the County ASC Committee to assign the farm a yield on the basis of actual yields for the crop for the crop year on similar farms in the area. This option should be exercised when the actual yield per harvested acre for the crop is not available.

Section 506(e) of the 1949 Act requires the Secretary to allow producers to provide to County ASC Committees data with respect to the actual yield for each farm for each program crop. The Secretary shall maintain the data for at least 5 crop years after receipt in a manner that will permit the data to be used in the administration of the commodity programs.

Section 506(f) of the 1949 Act provides that the Secretary shall not establish farm program payment yields based on yields for irrigated land, as opposed to yields for non-irrigated land, for any acreage that was not irrigated prior to the beginning of the 1991 crop year.

Planting and production history of farms

Section 507 of the 1949 Act provides that each County ASC Committee may require any producer to provide planting and production history of the farm for each of the 5 crop years immediately preceding the crop year for which the producer is seeking to establish a normal crop acreage, crop acreage base, or farm program payment yield.

Establishment of bases and yields by County ASC Committees

Section 508 of the 1949 Act provides that each County ASC Committee may establish a normal crop acreage, crop acreage base, and farm program payment yield with respect to any farm administratively located within the county if the normal crop acreage, crop acreage base, or farm program payment yield cannot otherwise be established under this title. No such bases or farm program payment yields shall be established for a farm if the producer on the farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland.

Appeals

Section 509 of the 1949 Act directs the Secretary to establish an administrative appeal procedure that provides for a review of determinations made with respect to normal crop acreage, crop acreage bases, and farm program payment yields.

Payment limitations

Section 1011(a) amends section 1001 of the Food Security Act of 1985 (the "1985 Act") to extend the $50,000 and $250,000 payment limitations with respect to certain payments made with respect to the 1991-95 crops of wheat, feed grains, upland cotton, extra long staple cotton, rice, honey and other commodities.

Paragraph (B) of section 1001(2) of the 1985 Act is amended to provide that any gain realized by a producer from repaying a loan for a crop of any other commodity at a lower level than the original loan level established under the 1949 Act would be considered to be a payment for the purposes of the $250,000 payment cap.

Clause (iv) of section 1001(2)(B) is amended by—

(i) striking section 107D(c)(1) or 105C(c)(1) and inserting 107A(c)(1) or 105A(c)(1); and

(ii) by striking section 107D(a)(4) or 105C(a)(3) and inserting section 107A(a)(2)(B)(ii) or 105A(a)(2)(B)(ii);

Paragraph (C) of section 1001(2) is amended to provide that any loan deficiency payment received for a crop of wheat, feed grains, upland cotton, rice, or oilseed under section 107A(b), 105A(b), 103A(b), 101A(b), or 205(e), respectively, of the 1949 Act is subject to the $250,000 payment cap.

Paragraph (D) of section 1001(2) is amended in clause (vi), by striking section 107D(g), 105C(g), 103A(g), or 101A(g) and inserting section 107A(f), 105A(f), 103A(f), or 101A(f).

Section 1011(b) extends section 1001C(a) of the 1985 Act regarding limitations on the ineligibility of foreign persons for program benefits for the 1991–95 crops.

Section 1011(c) amends clause (iii) of section 1001(5)(B) of the 1985 Act to provide that, for the application of payment limitations, with respect to any married couple, the husband and wife shall be considered to be one person. Exceptions to this provision are—

(1) in the case of any married couple consisting of spouses who, prior to their marriage, were separately engaged in unrelated farming operations, each spouse shall be treated as a separate person with respect to the farming operation brought into the marriage by the spouse so long as the operation remains as a separate farming operation; and

(2) in the case of any married couple consisting of spouses who do not hold, directly or indirectly, a substantial beneficial interest in more than one entity (including the spouses themselves) engaged in farm operations that also receives farm program payments as separate persons, the spouses may be considered as separate persons if each spouse meets the other requirements established under title X of the 1985 Act to be considered to be a separate person.

Advance deficiency and diversion payments

Section 1012 amends section 107C of the 1949 Act to provide for advance deficiency and land diversion payments for the 1991–95 crops of wheat, feed grains, upland cotton and rice.

Section 1012(b) amends section 107C of the 1949 Act to provide for payments for underestimated market prices. If the deficiency

payment payable to a producer for a crop, as finally determined by the Secretary under this Act, is less than the projected deficiency payment determined by the Secretary for the purposes of calculating the advance deficiency payment made available under subsection (a), the Secretary shall provide a payment to the producer equal to 20 percent of the difference between the final deficiency payment and the projected deficiency payment.

Advance recourse commodity loans

Section 1013 amends section 424 of the 1949 Act and section 1003 of the 1985 Act to authorize advance recourse commodity loans for the 1991-95 crops for which nonrecourse loans are made available.

Interest payment certificates

Section 1014 amends section 405(b)(1) of the 1949 Act and section 1004 of the 1985 Act to authorize interest payment certificates for the 1991–95 crop of wheat, feed grains, upland cotton or rice.

Payment of interest on certificates

Section 1015 amends section 107E of the 1949 Act to provide that the Secretary shall pay interest on the cash redemption of a commodity certificate issued by the Secretary to a producer who holds the certificate for at least 150 days.

Commodity Credit Corporation sales price restrictions

Section 1016 amends section 407 of the 1949 Act as follows:

Section 407(a) authorizes the CCC to sell any farm commodity owned or controlled by the Corporation at any price not prohibited by this section.

Section 407(b) directs the Corporation to take into consideration several factors in determining sales policies for basic agricultural commodities or storable nonbasic commodities. The Corporation should consider the establishment of such policies with respect to prices, terms, and conditions as the Corporation determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop.

Section 407(c) of the 1949 Act generally prohibits the Corporation from selling any basic agricultural commodity or storable nonbasic commodity at less than 115 percent of the lower of—

(A) the current national average price support loan rate for the commodity adjusted for the current market differentials reflecting grade, quality, location, and other factors determined appropriate by the Corporation; or

(B) the loan repayment level.

Section (c)(2) permits the Corporation to sell extra long staple cotton for unrestricted use at such price as the Corporation determines is appropriate to maintain and expand export and domestic markets.

Section (c)(3) prohibits the Corporation from selling oilseeds at less than the lower of—

(A) 105 percent of the current national average price support loan rate for the oilseed, adjusted for the current market dif-

ferentials reflecting grade, quality, location, and other factors determined appropriate by the Corporation; or

(B) 115 percent of the loan repayment level.

Section (c)(4) prohibits the Corporation from selling its stocks of wheat or feed grains at less than 105 percent of the established price for wheat or feed grains whenever the producer reserve program for wheat and feed grains established under section 110 is in effect.

Section 407(d) of the 1949 Act provides that the sales price restrictions shall not apply to sales of stocks for new or byproduct uses; peanuts and oilseeds for the extraction of oil; seed or feed sales that will not substantially impair any price support program; commodities that have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; export sales; wool; and sales for other than primary uses.

Section 407(e) provides that the Corporation may, on such terms and conditions as the Secretary considers in the public interest, make available any commodity owned or controlled by the Corporation for use in relieving distress, disaster, and livestock emergency areas. Such use shall not displace or interfere with normal marketing of agricultural commodities. The Corporation may also donate or sell commodities in accordance with title VI of that Act.

Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making the commodity available under this subsection beyond the cost of the commodities to the Corporation in—

(A) the storage of the commodity; and

(B) the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area.

Section 107(f) of the 1949 Act provides that the Corporation's sales price restrictions shall not apply to sales of commodities that are in the interest of the effective and efficient conduct of the operations of the Corporation because of the small quantities involved, or because of age, location or questionable continued storability of the commodity. Such sales shall be offset (if necessary) by the purchases of commodities as the Corporation determines is appropriate to prevent the sales from substantially impairing any price support program or unduly affecting market prices. The purchase price shall not exceed the CCC minimum sales price for the commodities for unrestricted use.

Section 407(g) defines sales for export to include—

(1) sales made on condition that the identical commodities sold be exported; and

(2) sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form.

Disaster payments

Section 1017 further amends title II of the 1949 Act to provide for disaster payments for the 1991–95 crops of peanuts, soybeans, sugar beets, and sugarcane.

Section 207 of the 1949 Act, as amended by this Act, authorizes the Secretary to make a prevented planting disaster payment to producers on a farm that are prevented from planting acreage intended for peanuts, soybeans, sugar beets, or sugarcane to peanuts, soybeans, sugar beets, sugarcane, or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The prevented planting payment shall be equal to multiplying—

(1) the number of acres so affected, but not to exceed the acreage planted to peanuts, soybeans, sugar beets, or sugarcane for harvest in the immediately preceding year; by

(2) 75 percent of the farm program payment yield established by the Secretary; by

(3) a payment rate equal to 50 percent of the loan and purchase level for the crop.

Section 207(b) of the 1949 Act provides that the Secretary may make a reduced yield disaster payment to the producers equal to 50 percent of the loan and purchase level for the crop for the deficiency in production below 60 percent for the crop. Such reduced yield payment shall be made if the quantity harvested of peanuts, soybeans, sugar beets, or sugarcane is less than 60 percent of the farm program payment yield because of drought, flood, or other natural disaster, or other condition beyond the control of the producers.

Section 207(c) of the 1949 Act provides that the Secretary may adjust the amount of reduced yield or payments made available under this paragraph with respect to an individual farm so as to ensure the equitable allotment of the payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

Section 207(d) of the 1949 Act provides that this section shall be effective only for the 1991–95 crops of peanuts, soybeans, sugar beets, and sugarcane.

Multiyear set-asides

Section 1018 amends section 1010 of the 1985 Act to authorize multiyear set-asides for the 1991–95 crops.

Supplemental set-aside and acreage limitation authority

Section 1019 amends section 113 of 1949 Act and section 1011 of the 1985 Act to authorize supplemental set-aside and acreage limitation for the 1991–95 crops.

Extension of wheat reserve

Section 1020 amends section 302(i) of the Food Security Wheat Reserve Act of 1980 to extend the Reserve through 1995. The Secretary may take whatever steps are necessary to ensure that at least 75 million bushels are maintained in the Reserve if, for each of the 1991–95 marketing years for wheat, the Secretary determines that the season average price for wheat during the marketing year is

less than 140 percent of the loan rate for wheat established under title I of the 1949 Act.

Normally planted acreage

Section 1021 amends section 1001 of the Food and Agriculture Act of 1977 to extend through 1995 the provisions on normally planted acreage.

Special grazing and hay program

Section 1022 amends section 109(a) of the 1949 Act to extend the special grazing and hay program through 1995.

Advance announcement of programs

Section 1023 amends section 406(b) of the 1949 Act to extend through the 1995 crop the current provisions regarding the advance announcement of the final terms of the price support, production adjustment and payment programs for wheat, feed grains, upland cotton and rice.

Determinations of the Secretary

Section 1024 amends section 1017(b) of the 1985 Act by extending the current requirements on the Secretary in determining loan rates, payments and purchases from 1991–95.

Application of terms in the Agricultural Act of 1949

Section 1025 amends subsection (k) of section 408 of the 1949 Act to provide that the reference made in sections 402, 403, 406, 407, and 416 to the terms support price, level of support, and level of price support shall be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act. References made to the terms price support, price support operations, and price support program in such sections and in section 401(a) shall be considered as applying as well to loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act. This section shall be effective only for the 1991–95 crops of wheat, feed grains, upland cotton, and rice.

Normal supply

Section 1026 provides that if the Secretary determines that the supply of wheat, corn, upland cotton, or rice for the marketing year for any of the 1991–95 crops of the commodity is not likely to be excessive and that program measures to reduce or control the planted acreage of the crop are not necessary, such a decision shall constitute a determination that the total supply of the commodity does not exceed the normal supply and no determination to the contrary shall be made by the Secretary with respect to the commodity for the marketing year.

National Agricultural Cost of Production Standards Review Board

Section 1027 amends section 1014 of the Agriculture and Food Act of 1981 to authorize the National Agricultural Cost of Production Standards Review Board through 1995.

Adjustment of support prices

Section 1028 amends section 403 of the 1949 Act as follows:

Section 403(a) of the 1949 Act authorizes the Secretary to make appropriate adjustments in the support price for any commodity (excluding cotton) for differences in grade, type, quality, location and other factors. Such adjustment shall, so far as practicable, be made in such manner that the average support price for the commodity will, on the basis of the anticipated incidence of such factors be equal to the level of support determined as provided in this Act.

Section 403(b) of the 1949 Act provides that the Secretary may make appropriate adjustments in the support price for cotton for differences in quality factors and location. In determining the premiums and discounts for quality factors for the upland cotton loan program, the Secretary shall give equal weight to loan differences for the preceding crop, and market differences for such crop in the designated U.S. spot markets.

Section 403(c) of the 1949 Act limits the adjustment in loan rates for transportation differentials for the 1990 through 1995 crops of wheat and feed grains. No adjustment in the loan rate for a region, State, or county may increase or decrease the regional, State or county loan rate from the level established for the previous year by more than the percentage change in the national average loan rate plus or minus 2 percent.

Farmer owned reserve program

Section 1029 amends section 110 of the 1949 Act to provide for a producer reserve program for wheat and feed grains.

Section 110(a) of the 1949 Act authorizes the Secretary to formulate and administer a producer storage program under which producers will be able to store wheat and feed grains when the commodities are in abundant supply, extend the time period for the orderly marketing of the commodities, and provide for adequate carryover stocks to ensure a reliable supply of the commodities.

Section 110(b) of the 1949 Act requires the Secretary to provide original or extended price support loans for wheat and feed grains to encourage producers to store wheat and feed grains for extended periods of time. Such loans shall be provided whenever the supplies of wheat and feed grains are abundant, as determined by the Secretary, or whenever the price of wheat or feed grains is less than 140 percent of the loan rate established under this title for wheat and feed grains.

Loans made under this section shall not be less than the then current level of support under the wheat and feed grain programs established under this title. The Secretary shall provide for loans with—

(A) a maturity of not less than 3 years, with extensions as warranted by market conditions;

(B) a rate of interest as provided under subsection (c); and

(C) payments to producers for storage as provided in subsection (d).

The Secretary shall ensure that producers are afforded a fair and equitable opportunity to participate in the program established

under this section, taking into account regional differences in the time of harvest.

Section 110(c) of the 1949 Act provides that the Secretary may charge interest on loans under this section whenever the price of wheat or feed grains is equal to or exceeds the then current established price for the commodities. If interest is levied on such loans, interest may be charged for 90 days after the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities. The rate of interest charged shall not be less than the rate of interest charged the CCC by the U.S. Treasury, except that the Secretary may waive or adjust the interest as the Secretary considers appropriate to effectuate the purposes of this section.

Section 110(d) of the 1949 Act requires the Secretary provide storage payments to producers for storage of wheat or feed grains under the program established in this section in such amounts and under such conditions as the Secretary determines appropriate to encourage producers to participate in the program. Such payments shall be available at the end of each quarter. The Secretary may cease such payments whenever the price of wheat or feed grains is equal to or exceeds the then current established price for the commodities, and for any 90-day period immediately following the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities.

Section 110(e) of the 1949 Act provides that the Secretary may require producers to repay loans under this section, plus accrued interest and such other charges, if the Secretary determines that emergency conditions exist that require that the commodity be made available in the market to meet urgent domestic or international needs. The Secretary must report the reasons for this determination to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition and Forestry of the Senate at least 14 days before taking the action.

Section 110(f) of the 1949 Act provides that the Secretary may establish maximum quantities of wheat and feed grains that may receive loans and storage payments under this program as follows:

(1) The quantities may not be established at less than 300 million bushels of wheat and 600 million bushels of feed grains.

(2) The quantities may not be established at more than—

(A) 30 percent of the estimated total domestic and export usage of wheat during the marketing year for the crop of wheat, as determined by the Secretary; and

(B) 15 percent of the estimated total domestic and export usage of feed grains during the marketing year for the crop, as determined by the Secretary.

(3) Notwithstanding paragraph (2), the Secretary may establish the upper limits at higher levels, not in excess of 110 percent of the levels established in paragraph (2), if the Secretary determines that the higher limits are necessary to achieve the purposes of this section.

Section 110(g) of the 1949 Act requires that the Secretary announce the terms and conditions of the producer storage program

as far in advance of making loans as practicable. Such announcement shall specify the quantity of wheat or feed grains to be stored under this program that the Secretary determines appropriate to promote the orderly marketing of the commodities.

Section 110(h) of the 1949 Act provides that the Secretary may, with the concurrence of the owner of grain stored under this program, reconcentrate all grain in the farmer owned reserve to be stored in commercial warehouses. Such reconcentration shall be at such points as the Secretary considers to be in the public interest, taking into account such factors as transportation and normal marketing patterns. The Secretary shall permit rotation of stocks and facilitate maintenance of quality under regulations that assure that the holding producer or warehouseman shall, at all times, have available for delivery at the designated place of storage both the quantity and quality of grain covered by the producers or warehouseman commitment.

Section 110(i) of the 1949 Act provides that when grain is stored under this section, the Secretary may buy and sell at an equivalent price, allowing for the customary location and grade differentials, substantially equivalent quantities of grain in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate the commodities that the CCC owns or controls. The purchases to offset sales shall be made within 2 market days following the sales. The Secretary shall make a daily list available showing the price, location, and quantity of the transactions.

Section 110(j) of the 1949 Act requires the Secretary to use the Corporation, to the extent feasible, to fulfill the purposes of this section. To the maximum extent practicable consistent with the fulfillment of the purposes of this section and the effective and efficient administration of this section, the Secretary shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

Section 110(k) of the 1949 Act provides that if a producer has substituted purchased or other commodities for the commodities originally pledged as collateral for a loan made under this section, the Secretary may allow a producer to repay the loan using a generic commodity certificate that may be exchanged for commodities owned by the Corporation, if the substitute commodities have been pledged as loan collateral and redeemed only within the same county.

Section 110(l) of the 1949 Act provides that the authority provided by this section shall be in addition to other authorities available to the Secretary for carrying out producer loan and storage operations.

Comparability of storage payments

Section 1030 requires that the Corporation and the Secretary shall, to the extent practicable, ensure that the rates of the storage payments are comparable, taking into account the current demand for storage for commodities, efficiency, location, regulatory compliance costs, bonding requirements, impact of user fees, and other considerations determined appropriate by the Secretary. This provision applies in making storage payments to producers under sec-

tion 110 of the 1949 Act and to commercial warehouses under the authority contained in the CCC Charter Act.

SUBTITLE C—HONEY

Honey price support

Section 1041 further amends title II of the 1949 Act by adding a new section 208 to provide for a price support program for the 1991-95 crops of honey.

Loans, purchases, and other operations

Section 208(a) of the 1949 Act establishes a minimum price support level of 56.86 cents per pound for each of the 1991-95 crops of honey. The price of honey shall be supported through loans, purchases, or other operations.

Repayment

Section 208(b) of the 1949 Act provides that the Secretary may permit a producer to repay a loan made under this section for a crop at a level that is the lesser of—

(1) the loan level determined for the crop; or

(2) the level as the Secretary determines will—

(A) minimize the number of loan forfeitures;

(B) not result in excessive total stocks of honey;

(C) reduce the costs incurred by the Federal Government in storing honey; and

(D) maintain the competitiveness of honey in domestic and export markets.

Pledging adulterated or imported honey as collateral

Section 208(c) of the 1949 Act provides that if the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a loan made under this section, the person shall, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment under this section for the 3 crop years succeeding the determination. Honey shall be considered adulterated if—

(A) any substance has been substituted wholly or in part for the honey;

(B) the honey contains a poisonous or deleterious substance that may render the honey injurious to health, except that in any case in which the substance is not added to the honey, the honey shall not be considered adulterated if the quantity of the substance in or on the honey does not ordinarily render it injurious to health; or

(C) the honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption.

Section 208(d) of the 1949 Act provides that this section shall be effective only for the 1991-95 crops of honey.

SUBTITLE D—TECHNICAL AND CONFORMING AMENDMENTS

Section 1051 amends the 1949 Act by redesignating provisions for the wheat and feed grain export certificate program, designated nonbasic agricultural commodities and the honey support program

to conform with amendments made in this bill. The Agricultural Adjustment Act is amended to conform with the new section references for the peanut support program in the 1949 Act, as amended by this bill. The 1985 Act is amended by inserting the new section reference for the sugar support program in the 1949 Act, as amended by this bill.

SUBTITLE E—EFFECTIVE DATE

Effective date

Section 1061 provides that these titles and the amendments made by these titles shall become effective beginning with the 1991 crop of an agricultural commodity. Notwithstanding any other provision of law, title I through this title, and the amendments made by such titles, shall not affect the authority of the Secretary of Agriculture to carry out a price support or production adjustment program for any of the 1986 through 1990 crops of an agricultural commodity established under a provision of law in effect immediately before the effective date prescribed by subsection (a).

TITLE XI—TRADE

SUBTITLE A—THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

Section 1111 amends the Agricultural Trade Development and Assistance Act of 1954 by replacing it with new text. Section numbers below refer to the sections of that Act as amended.

Short title

Section 1 states that the Act may be cited as the Agricultural Trade Development and Assistance Act of 1954.

Policy

Section 2 consolidates all Public Law 480 policy statements into a single statement. It is the policy of the United States to use its abundant agricultural productivity to promote the foreign policy of the U.S. by enhancing the food security of the developing world through the use of such productivity to—

(1) combat world hunger, malnutrition and their causes;

(2) promote broad based and sustainable economic development;

(3) expand international trade;

(4) develop and expand export markets for U.S. agricultural commodities;

(5) encourage the development of private enterprise and democratic participation; and

(6) use foreign currencies accruing under Public Law 480 to foster and encourage the development of private enterprise and democratic participation in LDCs.

Global food aid needs

Section 3 states that, pursuant to the principal findings of the National Research Council of the National Academy of Sciences, doubling food aid over the present levels of about 10 million tons

per year would be necessary to meet projected global food needs throughout the 1990's, and that the President should increase U.S. food contributions and encourage other donor or advanced countries to do likewise.

Definitions

Section 4 defines the terms "Agricultural Commodity", "Administrator", "Cooperatives", "Indigenous Non-governmental Organizations" and "Private Voluntary Organizations". The reference to "fish" under "Agricultural Commodity" is identical to the definition of fish in the Agricultural Trade Act of 1978, as amended by this bill.

PUBLIC LAW 480 TITLE I

Authority

Section 101 makes a key change to Public Law 480 by granting authorities directly to the agencies responsible for operating the individual programs under title I. The President shall: (1) through the Agency for International Development (AID), carry out a new donation program to least developed countries and fund development activities with local currencies generated from the sale of donated commodities; and (2) through the U.S. Department of Agriculture (USDA), offer agricultural commodities for sale on credit to developing countries and carry out domestic agricultural trade development activities with local currency proceeds associated with the repayment of such loans.

Eligible countries

Section 102 defines a "least developed country" eligible under the grant program as one meeting the poverty criteria of the International Bank for Reconstruction and Development Civil Works Preference list (GNP of less than $545 per capita), or one that is a food deficit country characterized by high levels of malnutrition among significant numbers of its population (measured by per capita calorie consumption and child mortality under 5 years of age), as determined by the AID Administrator. This section defines a "developing country" as one which has a shortage of foreign exchange earnings and has difficulty meeting all of its food needs through commercial channels, as determined by the Secretary of Agriculture. In a provision similar to existing law, agreements under title I are prohibited with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights. A Presidential waiver is available if such an agreement would directly benefit the needy people in such country, and the food assistance is made available through non-governmental channels.

Grant program

Section 103 provides the basic authorities for the grant program. The AID Administrator shall, subject to the authority of the Secretary of Agriculture to determine commodity availability, determine whether and to what extent agricultural commodities shall be made available under this section to least developed countries. The

AID Administrator is to give priority to least developed countries that demonstrate the greatest need for food, demonstrate the capacity to use food assistance effectively and are willing to adopt policies to promote food security. Multiyear agreements are mandatory, subject to a waiver. Multiyear agreements must include a plan to encourage a competitive private sector in the storage, marketing, transportation, and distribution of food assistance in the recipient country. Public Law 480 agreements to provide commodities must, to the extent practicable, be signed by November 30 of the fiscal year in which the commodities are to be shipped. This deadline does not apply to agreements which only cover uses of local currencies.

Section 104 provides that agricultural commodities granted to a least developed country under section 103 may—

(1) be used in a recipient country for direct feeding programs or the development of emergency food reserves, or may be distributed through normal commercial channels; or

(2) be sold in such country by the country or the Administrator (or their designees) as provided in the agreement, and the proceeds of such sale distributed in accordance with section 105.

Local currency accounts

Section 105 provides that under the grant program, if there is a provision to generate local currencies, the local currencies shall be deposited in a separate account and jointly programmed by the recipient country and AID. This section gives AID discretion to have the account be U.S. or foreign owned. In addition, the Administrator shall consider such local currencies as an integral part of the overall development strategy of AID and the recipient country.

Use of local currency accounts

Section 106 provides that local currencies generated under section 105 shall be used in the recipient country for economic development purposes. Examples are given of broad categories of uses. There is a new earmark of 10 percent of local currency proceeds to support the development and utilization of indigenous non-governmental organizations and cooperatives.

Concessional credit sales program

Section 107 provides the Secretary with authority to execute agreements with developing countries to provide for the sale, for dollars or local currencies, of agricultural commodities. The Secretary shall give priority to developing countries that—

(A) demonstrate the greatest need for food;

(B) are listed on the priority list established by the Secretary under title I of the Agricultural Trade Act of 1978; and

(C) have the demonstrated potential to become commercial markets for competitively priced U.S. agricultural commodities.

The section provides that the importing country shall acquire agricultural commodities to be financed under this section, subject to the approval of the Secretary.

Agents

Sections 107(c), 107(d), and 103 (d)(2) provide that only the Secretary, the Administrator, or the Commodity Credit Corporation (CCC) may serve as the purchasing or shipping agent for the importing country, or both, in arranging the purchase or shipping of commodities financed under this section. The Secretary or CCC may enter into agreements with importing countries establishing fees for the provision of these purchasing or shipping agent services, and they may award, under competitive bidding, contracts establishing freight agents acting on behalf of the Secretary or the CCC to handle shipping of commodities financed under this section.

The Secretary shall determine the timing of the shipment of commodities to be provided under this section. In making such a determination, the Secretary shall consider the time of harvest of any competing commodities in the recipient country.

Under the sales program there are no mandatory self-help requirements.

Terms and conditions of sales

Section 108 provides that loan repayments shall be made in dollars, but the Secretary may permit a recipient country to repay in local currencies so that the U.S. may use the currencies to carry out activities under Section 109. The term of the loan shall be 10 to 20 years, with a maximum 7-year grace period, and concessional rates of interest.

This section contains a provision (section 108(a)(3)) similar to that in current law providing that payment in local currency shall be at rates of exchange which are not less favorable than the highest exchange rate legally obtainable in the country and which are not less favorable than the highest exchange rate obtainable by any other nation. Multiyear agreements are mandatory under both the grant and sale programs, subject to a waiver. Multiyear agreements require a plan to encourage a competitive private sector in the storage, marketing, transportation, and distribution of U.S. commodities.

Uses of local currency repayments

Section 109 provides that local currency repayments authorized under section 108 may be used to pursue the following activities: trade development, agricultural business development loans (similar to the old Cooley loans), agricultural facilities loans, trade promotion and development, research, and payment of U.S. obligations. Except for payment of U.S. obligations, these uses of foreign currency repayments are not subject to appropriations. Government agencies (other than USDA) using any of these local currency repayments for a purpose for which funds have been appropriated must reimburse CCC in an amount equivalent to the dollar value of the currencies used.

Procedures

Section 110 requires that the procurement of commodities and ocean transportation under title I be on the basis of publicly advertised open bids. Commissions to selling agents or agents of purchas-

ers or grantees under title I are prohibited. All commissions or fees paid by the supplier of an agricultural commodity or of ocean transportation provided under title I to any representative of an importer or importing country must be reported to USDA, and USDA must provide an annual report to Congress. Failure of a supplier to file a report or the filing of a false report will result in ineligibility to participate in title I for five years. Freight agents hired by the Secretary, the CCC or AID under this Act may not represent any supplier of commodities, freight or ancillary services or any foreign government during the period of their contract with the U.S. Government.

Value-added foods

Section 111 is nearly identical to section 114 in existing law, which provides that countries which are or have been recipients of high protein, blended, or fortified foods under title II, who purchase such foods under section 107 and who meet certain other requirements may be given a waiver of payment for an amount equal to the cost of processing such foods.

Use of Commodity Credit Corporation

Section 112(a) requires that the CCC acquire and make available to the Administrator to carry out agreements entered into under section 103 such agricultural commodities as are determined under section 401 to be available. To carry out agreements under section 107, the CCC may finance the sale and export of agricultural commodities, whether from private or CCC stocks, as are determined under section 401 to be available.

Section 112(b) authorizes the CCC to provide commodities under title I on a cost and freight (c&f) basis.

Section 112(c) lists the expenses that may be included in the grant program.

Limitation on expenditures

Section 112(d) contains a provision now in current law requiring that the total value of title I agreements in any calendar year shall not exceed an amount that would require Congress to appropriate more than $1.9 billion to reimburse the CCC for commodities and services provided under such agreements.

Regulations

Section 113 states that the Secretary or the Administrator, as applicable, shall promulgate regulations implementing the provisions of title I.

PUBLIC LAW 480 TITLE II

Basic authority and purposes

Section 201 provides that the general authority for title II emergency and private assistance programs is vested in the President, through the AID Administrator.

Agricultural commodities may be provided to foreign countries on behalf of the people of the U.S. to—

(1) address famine or other urgent or extraordinary relief requirements;
(2) combat malnutrition, especially in children and mothers;
(3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity;
(4) promote economic and community development; and
(5) promote sound environmental practices.

Provision of agricultural commodities

Under section 202, the Administrator may provide agricultural commodities to meet emergency food needs through governments and public or private agencies, including intergovernmental organizations such as the World Food Program and other multilateral organizations. Non-emergency assistance may be provided through private voluntary organizations (PVO's) and cooperatives registered, to the extent practicable, with AID, and intergovernmental organizations such as the World Food Program (WFP). Bilateral non-emergency assistance is no longer included in title II.

Form of assistance

Section 202(c) notes that agricultural commodities provided under this title may be made available for direct distribution, sale, barter, or other appropriate disposition in carrying out section 201.

Multiyear agreements

Section 202(e) provides that the Administrator shall, if requested, enter into multiyear agreements, subject to the availability of appropriations and commodities. Normal WFP documentation is considered an agreement for the purposes of this section. Waiver authority is provided in the following situations: (1) the past performance of the organization does not warrant a multiyear agreement; (2) the need for food aid does not extend beyond 1 year; (3) other circumstances that, as determined by the Administrator, indicate there is only a need for a 1 year agreement.

Administrative costs

Section 202(f) provides that not less than 2 percent of title II funds shall be made available to U.S. PVO's or cooperatives to assist them in expanding and establishing new title II programs and meeting administrative, management, personnel and internal transportation and distribution costs for carrying out title II programs. The request for such funds shall include specific explanation of (1) the program costs to be offset by such funds; (2) the reason why such funds are needed to carry out the particular program; and (3) the degree to which such funds will improve the provision of food assistance to countries (particularly those in sub-Saharan Africa) suffering from acute long-term food shortages.

Effective use of commodities

Section 202(g) provides that to ensure that agricultural commodities made available under title II are used effectively and in the areas of greatest need, organizations or cooperatives through which such commodities are distributed shall—

(1) to the extent feasible, work with indigenous institutions and employ indigenous workers;

(2) assess and take into account nutritional and other needs of beneficiary groups;

(3) help such beneficiary groups design and carry out mutually acceptable projects;

(4) recommend to the Administrator methods of making assistance available that are the most appropriate for each local setting;

(5) supervise the distribution of commodities provided and the implementation of programs carried out under this title; and

(6) periodically evaluate the effectiveness of projects undertaken under this title.

Priority

Section 202(h) provides that in carrying out title II the Administrator shall give priority to U.S. PVO's or cooperatives.

Labeling

Section 202(i) provides that, to the extent practicable, title II commodities are to be clearly identified as being furnished by the United States.

Generation and use of foreign currencies by private voluntary organizations and cooperatives

Section 203 provides that agreements between AID and a PVO or cooperative to provide food assistance under this title may provide for the sale or barter in the recipient country of the commodities. A floor on monetization is established at 10 percent of the value of non-emergency programs. A description of the intended use of the foreign currencies is required.

Minimum levels of assistance

Section 204 provides that not less than 1,685,000, 1,710,000, 1,735,000, 1,760,000 and 1,785,000 metric tons shall be made available for title II in the fiscal years 1991-95, respectively. It also provides that not less than 1,450,000, 1,475,000, 1,500,000, 1,525,000 and 1,550,000 metric tons shall be made available for title II non-emergency food distribution in the same respective years. The AID Administrator may waive these requirements if he determines that such quantities of commodities cannot be used effectively to carry out title II or in order to meet an emergency. This section also continues the requirement in current law that 75 percent of the quantity of the commodities required to be distributed for non-emergency purposes be in the form of processed or fortified products or bagged commodities.

Food Aid Consultative Group

Section 205 establishes a Food Aid Consultative Group to review the effectiveness of regulations and implementation of title II generally. The Group shall be composed of AID, USDA, the AID Inspector General, representatives of participating PVO's, coops and indigenous non-governmental organizations. The Administrator is

required, in preparing regulations, handbooks, or guidelines implementing Title II, to provide them to the Group for review and comment. The Group is exempted from application of the Federal Advisory Committee Act.

Use of Commodity Credit Corporation

Section 206 requires the CCC, subject to section 401, to make available to the AID Administrator such commodities as the Administrator may request to implement title II. This section also continues the authority in current law for CCC to acquire, package, enrich, fortify, and transport title II commodities.

Maximum level of expenditures

Section 207 limits title II programs to those requiring appropriation of no more than $1 billion, unless the President determines a waiver is necessary to meet urgent humanitarian needs.

Administration

Section 208 continues provisions in current law placing time limits on responding to PVO and cooperative proposals, on notice of proposed guidelines and on submission of commodity orders. The section adds a requirement that the Administrator shall promptly issue regulations called for by changes in this law, and shall develop regulations with the intent to simplify procedures, reduce paperwork, establish reasonable and realistic accountability standards and provide flexibility.

Farmer-to-Farmer Program

Section 209 revises current law authorizing the President to establish a farmer to farmer program to assist friendly developing countries. Authority is vested in the administrator, in consultation with the Secretary. The section expands existing authority to include developing countries, middle income countries and newly-emerging democracies, and adds private agribusiness and nonprofit farm organizations to the list of those whose services can be utilized under the program. It retains the minimum funding of 0.1 percent of Public Law 480 funds, which minimum must be used in developing countries. Any funds appropriated above that amount may be used in middle income countries and newly-emerging democracies, as well as in developing countries.

PUBLIC LAW 480 TITLE III

Food for Freedom

Section 301 establishes a new Food for Freedom program which is broader than the Food for Progress program under current law. This new program provides the President additional flexibility, funds and authority to assist countries that are turning toward democracy or are instituting positive free market reforms.

Specifically, it authorizes the President to provide commodities to eligible countries to support (1) the democratization of the governments of such countries, (2) the granting of individual liberties to the people of such countries, and (3) the promotion of economic

freedom within such countries. There is an annual limitation on expenditures of $50 million (exclusive of the cost of commodities).

Private market enhancement

Section 302 authorizes the President to use Food for Freedom commodities in a manner designed to use the commodity transaction itself as a means of developing in the recipient countries a competitive private sector that can provide for the importation, transportation, storage, marketing and distribution of such commodities. Twenty million dollars of CCC funds (or commodities of an equal value owned by the Corporation) is authorized to be used to develop a private sector capacity in Food for Freedom recipient countries to undertake the activities referred to above. This section also authorizes use of the local currencies generated by the sale of commodities provided under this title for the purposes of this section.

Classification of expenditures

Section 303 provides that the commodities and funds made available under Title III of this bill or section 416 of the Agricultural Act of 1949 shall be in addition to the assistance under Titles I and II of this bill.

PUBLIC LAW 480 TITLE IV

Docket, determination of commodity availability

Section 401 provides that, after taking into account productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carryover, the Secretary of Agriculture shall, prior to the beginning of each fiscal year, determine the agricultural commodities and quantities thereof available for disposition under this bill.

In establishing policies for implementing this bill, the President should attempt to maintain a stable level of available agricultural commodities under this bill of the kind and type needed to provide food assistance to developing countries and should attempt to make such commodities available to the degree necessary to fulfill multiyear agreements entered into under this Act.

Section 401(c) provides that the Secretary may suspend the eligibility of a commodity for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary at the time of exportation of such commodity. However, notwithstanding subsection (c), the Secretary may make Public Law 480 commodities available if he determines that some part of the supply of such commodity should be used to carry out urgent humanitarian purposes of Public Law 480.

Ineligible commodities

Sections 401(e) and 401(f) define that alcoholic beverages shall not be made available for disposition under this Act. Tobacco or the products thereof shall not be made available under section 104 or title II of this Act. These provisions shall not be construed to

prohibit representatives of the U.S. wine, beer, distilled spirits, or other alcoholic beverage industry from participating in agricultural market development activities carried out by the Secretary with foreign currencies made available under title I.

General provisions

Section 402 contains a variety of provisions carried over from current law including the Bellmon amendment, that commodities shall not be made available if adequate storage facilities are not available or that such commodities would interfere with local production. The Bellmon amendment has been changed to require that the determination be based on storage facilities which will be available at the time of arrival of the commodity. In addition the current requirement for consultations with the International Monetary Fund (IMF), the World Bank and recipient countries to ensure that Public Law 480 commodities and local currencies will not have a disruptive effect on farmers or local economies, the prevention of transhipment of Public Law 480 commodities, the requirement to use private trade channels, the requirement to avoid disruption of world prices for agricultural commodities or of normal patterns of commercial trade, the requirement to publicize the fact that commodities purchased under Public Law 480 are provided through the friendship of the American people, the requirement to encourage U.S. and recipient country private sector participation and the requirement to safeguard usual U.S. marketings.

Section 402(i) is a new provision prohibiting military distribution of food assistance. A waiver is included.

Debt forgiveness

Section 403 authorizes the President to forgive Public Law 480 debt of a least developed country eligible for grant assistance under Section 102(a) that has in effect: (1) an IMF standby agreement; (2) a World Bank structural adjustment program; or (3) an IMF structural adjustment facility or enhanced structural adjustment facility. The President may only provide debt relief if a request therefor is included in the President's annual budget submission to the Congress or is transmitted to the appropriate Congressional committees within three months after the President's budget submission. Debt may be forgiven only in amounts as provided in advance in appropriation acts. No food aid loans shall be provided for two years to countries receiving debt relief under this section.

Expiration date

Section 404 extends the expiration date for Public Law 480 to December 31, 1995.

Reduction in deficit in balance of payments

Section 405 authorizes the President to utilize foreign currencies received under Public Law 480 to reduce any deficit in the U.S. balance of payments.

Independent evaluation of programs

Section 406 requires independent evaluations by the Comptroller General every three years of the grant, concessional sales and title II programs in representative countries.

Authorization of appropriations

Section 407 authorizes the appropriation of such sums as may be necessary to carry out Public Law 480. Expenditures under Public Law 480 shall be classified as expenditures for international affairs and finance rather than for agriculture and agricultural resources. In determining the reimbursement due CCC for expenses incurred under Public Law 480, CCC commodities acquired under Title I of the Agricultural Act of 1949 shall be valued at a price not greater than the export market price.

Transfer of funds

Section 407(c) authorizes the President to transfer 15 percent of the amounts available in any fiscal year for any title to any other title of the Act.

Section 416(b)

Section 407(d) provides that the value of commodities made available through section 416(b) of the Agricultural Act of 1949 and provided under titles II or III, and any CCC expenses incurred in connection with the provision of such commodities, shall be in addition to the level of assistance provided under Public Law 480 and shall not be considered expenditures for international affairs and finance.

Amendments in 1990

Section 1112 does not amend Public Law 480 itself, but provides time requirements for issuing proposed and final regulations and AID guidelines with respect to amendments made to title II during 1990.

Amendments to section 416(b)

Section 1113 streamlines section 416(b). It provides for surplus CCC-owned commodities to be used in carrying out programs of assistance under Public Law 480, titles I, II and III. The provisions in existing law regarding the minimum amounts of commodities to be furnished under section 416(b) are retained as is the statement that commodities provided through section 416(b) should be subjected to expedited procedures.

Technical and conforming amendments

Section 1114 contains conforming amendments and technical changes to the Agricultural and Food Act of 1981.

SUBTITLE B—AGRICULTURAL TRADE ACT OF 1978

Section 1121 amends the Agricultural Trade Act of 1978 by replacing it with new text. Section numbers below refer to the sections of that Act as amended.

Short title

Section 1 states that the Act may be cited as the Agricultural Trade Act of 1978 (the "1978 Act").

TITLE I—AGRICULTURAL TRADE POLICY

SUBTITLE A—PURPOSE AND DEFINITIONS

Agricultural trade policy of the United States

Section 101 of the 1978 Act outlines the agricultural trade policy of the United States. Such policy includes the competitive export of agricultural commodities with full assurance of quality and reliability of supply; the provision of food assistance; and the aggressive countering of unfair trade practices of foreign countries. Such policy supports the principle of free trade, promotes fair trade, and removes foreign policy constraints in agricultural trade. U.S. agricultural trade interests should have increased representation in the formulation of national fiscal and monetary policy.

Purpose

Section 102 of the 1978 Act outlines the Act's purpose of increasing the profitability of farming and market opportunities for U.S. farms and agricultural enterprises. To achieve this, USDA must play an effective role in the formation and implementation of agricultural trade policies. U.S. competitiveness in world markets must be improved. Implementation of U.S. agricultural trade programs must be coordinated and efficient.

Definitions

Section 103(1) of the 1978 Act defines agricultural commodities as any U.S. produced agricultural commodity or product, fish, livestock, wood, processed wood product, or value-added, fortified, and high-value products.

Section 103(2) defines developing countries as those countries short of foreign exchange earnings and having difficulty obtaining sufficient commercial credit for food needs. These countries shall have the potential to become commercial markets for U.S. agricultural commodities.

Section 103(3)–(4) defines the Secretary of Agriculture and Foreign Agricultural Service (FAS).

Section 103(5) defines an unfair trade practice as any foreign act, policy or practice that is unreasonable or discriminatory. Such practice must burden or restrict U.S. exports. Examples of an unfair trade practice include direct or indirect export subsidies, raw materials provided at artificially low prices, preferential terms of financing, variable levies, restrictive licensing practices, and discriminatory pricing policies by marketing boards or State trading agencies. An unfair trade practice is "unreasonable" if it is unfair and inequitable, whether or not a violation of, or inconsistent with, U.S. international legal rights.

SUBTITLE B—PROGRAM IMPLEMENTATION

Long-term agricultural trade strategy

Section 110(a) of the 1978 Act requires that the Secretary develop a long-term agricultural trade strategy to guide the implementation of agricultural trade programs. The U.S. goals include the efficient, coordinated use of such programs, improved commercial markets in developing countries, provision of food assistance, export growth, and maintenance of traditional markets.

Section 110(b) requires that the Secretary establish the above-mentioned goals, identify priority markets and establish market plans for such markets.

Section 110(c) requires that the Secretary consult with other agencies and with the Agricultural Policy Advisory Committee, and provide for public comment in developing the long-term strategy. In addition, the Secretary shall consider exchange rate fluctuations, foreign unfair trading practices, foreign food needs, and differences in transportation, shipping, and marketing factors. The strategy should also encourage the commercialization of foreign markets and the promotion of the U.S. as a primary and dependable supplier of agricultural commodities. This strategy should develop multiyear plans to implement U.S. export and food assistance programs.

Section 110(d) directs the Secretary to develop such a trade strategy at least every 3 years, with annual revisions as necessary.

Long-term agricultural trade goals

Section 111 of the 1978 Act requires that the Secretary develop goals with respect to the desired levels of agricultural exports and market shares over a period of not less than 3 years for total agricultural commodities, specified commodities, high-value, processed commodities, and expenditures on export programs.

Establishment of priority markets

Section 112 of the 1978 Act directs the Secretary to designate at least 15 countries or groups of countries most likely to emerge as growth markets for U.S. commodities within 5 and 10 years. At least 5 growth markets shall be developing countries. Growth markets shall be priority markets for the use of U.S. agricultural export programs, excluding food assistance and programs to combat unfair trade practices. The Secretary shall place a priority on the use of agricultural trade programs to those markets, in accordance with individual market plans and the long-term agricultural trade goals.

Establishment of market plans

Section 113 of the 1978 Act directs the Secretary to develop individual market plans for each priority market, including the specific use of export and market development programs, and the agricultural trade goals for that country over the next 3 years. In primarily commercial markets, increased exports should be the goal of the plan. Where a market is heavily subsidized, the goal should be to combat unfair trade practices, resulting in increased expenditures by the targeted competitor or decreased exports or market share of

that competitor in that market. In primarily concessional markets and recipients of food assistance, the goal should be to increase, over time, U.S. exports through commercial channels and commercial export programs, and to decrease the amount of food and developmental assistance necessary.

Review

Section 114 of the 1978 Act requires that the Secretary review the U.S. agricultural trade performance based on the strategy and goals at least every 3 years. The Secretary shall evaluate the market plan implementation; review the use of trade programs to increase market share and exports, and combat unfair trade practices; determine which trade goals were achieved; and analyze the country-by-country expenditures and export performance. In addition, the Secretary shall evaluate what revisions are necessary to the agricultural trade strategy, goals, market plans, or programs.

Preservation of traditional markets

Section 115 of the 1978 Act directs the Secretary to seek to preserve traditional markets for U.S. agricultural commodities.

TITLE II—AGRICULTURAL EXPORT PROGRAMS

SUBTITLE A—EXPORT ASSISTANCE PROGRAMS

Direct credit sales program

Section 201 of the 1978 Act restates the direct credit sales program from section 4 of the Food for Peace Act of 1966. Section 201(a) authorizes the Commodity Credit Corporation (CCC) to provide short-term financing of commercial export sales from privately owned stocks for periods of up to 3 years.

Section 201(b) amends section 4(d)(6) of the Food for Peace Act of 1966 to authorize the CCC to provide intermediate-term financing for commercial export sales from privately owned stocks for periods between 3 and 10 years.

Section 201(c) requires the Secretary to determine that the sales receiving intermediate-term financing will develop, expand or maintain the foreign market; improve the importing countries ability to be a long term commercial purchaser; or otherwise promote U.S. agricultural exports.

Section 201(d) specifies that the program shall be used to increase exports, meet foreign competition, and assist developing countries in meeting their food needs. The section permits the CCC to include the cost of freight to the foreign port of entry within the financed sales. The section prohibits the use of the financing for foreign aid or debt rescheduling. Cargo preference laws do not apply to the financed sales.

Section 201(e) requires repayment of the financing to be in dollars, including interest, and an initial payment may be required at the time of shipment.

Section 201(f) prohibits the resale or transhipment of commodities subject to a direct sale to other countries. The CCC may obtain commitments of such action from purchasers.

Export credit guarantee program

Section 202 of the 1978 Act replaces the authority contained in section 4 of the Food for Peace Act of 1966 and section 1125 of the Food Security Act of 1985. Section 202(a) authorizes the CCC to guarantee short-term loans of up to 3 years for commercial sales of agricultural commodities from privately owned stocks.

Section 202(b) authorizes the CCC to guarantee intermediate-term loans of between 3 and 10 years for commercial sales of agricultural commodities from privately owned stocks.

Section 202(c) requires the Secretary to determine that the sales receiving intermediate guarantees will develop, expand or maintain the foreign market; improve the importing countries ability to be a commercial purchaser; or otherwise promote U.S. agricultural exports.

Section 202(d) specifies that the guarantees may be used to increase exports, meet foreign competition, and assist developing countries in meeting their food needs.

Section 202(e) allows the CCC to include the cost of freight to the foreign port of entry within the guaranteed sales.

Section 202(f) prohibits the use of the guarantees for foreign aid or debt rescheduling. Cargo preference laws do not apply to the guaranteed sales.

Section 202(g) prohibits the availability of guarantees to a country that cannot adequately service the debt.

Section 202(h) authorizes the CCC to determine the terms and conditions of the contract of guarantee, as necessary.

Section 202(i) prohibits the resale or transhipment of commodities subject to a contract of guarantee to other countries. The CCC shall obtain, where feasible, certification of such action from purchasers.

Section 202(j) establishes a domestic content requirement for eligible commodities for the export credit guarantees. At least 90 percent of the value of the commodity shall be derived from agricultural commodities produced in the United States. The CCC may require 100 percent content U.S. commodities if monitoring the export of such commodities to determine the percentage domestic content is not practical. Guarantees shall not cover any portion of the exported commodity derived outside the United States.

Section 202(k) defines which financial institutions are ineligible to negotiate letters of credit guaranteed under this program, as determined by the CCC. An institution shall be ineligible if it is not in sound fiscal condition, lacks experience in similar transactions, or is a related institution or headquartered in the same country as the institution issuing the letter of credit.

Section 202(l) requires the CCC to audit export transactions to ensure that the agricultural commodities arrive in the agreed country of destination.

Section 202(m) prohibits guarantees to an exporter or assignees who have knowledge of or commit fraud in the use of guarantees or the appropriation of commodities under this program.

Deferred payment sales

Section 203(a) of the 1978 Act authorizes the Secretary to provide CCC financing to exporters to provide deferred payment terms to foreign purchasers. These terms should be used to meet foreign competition or make additional sales.

Section 203(b) defines eligible countries for financing as those that are eligible for the short-term export credit sales program.

Section 203(c) defines eligible exporters for financing as those that have contracted sales on deferred payment terms not exceeding a 3 year period. The exporter must provide an export sales plan, and assurance of exports, to the CCC. The exporter must establish to the CCC's satisfaction that the deferred terms are necessary to meet sales competition from other countries or to make additional export sales.

Section 203(d) requires the repayment of the deferred sales be made in dollars, with interest not exceeding that charged for the short-term export credit sales program.

Section 203(e) authorizes the CCC to require a performance guarantee from the exporter at the time of sale.

Section 203(f) authorizes the CCC to set other terms and conditions for financing agreements, subject to review by the National Advisory Council on International Monetary and Financial Policies.

Section 203(g) provides that the funds and authorities of the CCC shall be used to carry out this section.

Section 203(h) provides that the authority for the Secretary and CCC under this section is in addition to existing authorities.

Marketing Assistance Program (MAP)

Section 204(a) of the 1978 Act authorizes the Secretary to provide cost-share assistance to U.S. organizations for the development, maintenance and expansion of commercial export markets for U.S. agricultural commodities.

Section 204(b) provides for cost share assistance in the form of funds or commodities from the CCC.

Section 204(c) sets forth the requirements for participation in the MAP. MAP funds or commodities are available to eligible trade organizations that prepare and submit a marketing plan to the Secretary within guidelines established by the Secretary. Marketing plans must be developed for countries that are, or have the potential to be, viable commercial markets for U.S. agricultural commodities. Exports resulting from the use of MAP projects should have a significant positive effect on farmgate agricultural commodity values and on financial returns to farmers. Priority shall be given where there is an affirmative determination or foreign retaliation to an action under section 301 of the Trade Act of 1974; the assistance will be used to counter or offset an unfair trade practice by the foreign country; or the assistance will be used in a country eligible for the Food for Freedom program in the Agricultural Trade Development and Assistance Act of 1954, especially Eastern European countries.

Section 204(d) defines eligible trade organizations to include U.S. or regional agricultural trade organizations that promote but do

not profit directly from specific sales of agricultural commodities; a cooperative organization or State agency that promotes the sale of agricultural commodities; or a private organization that contributes significantly to U.S. export market development.

Section 204(e) elaborates the requirements for the marketing plan to be submitted by eligible organizations prior to receiving cost-share assistance. This should include the manner in which Federal and private funds will be expended and the market goals of the program. Such promotion may include branded advertising.

Section 204(f) allows assistance to be provided over a period of 1 to 3 years, where necessary for a successful program and described in the marketing promotion plan.

Section 204(g) permits the Secretary to terminate the assistance under certain conditions, including the elimination of the unfair trade practice that was the basis of the provision of assistance. The Secretary shall have full and complete access to all records of the organization relating to the use of assistance under this program during and for 5 years after participation in the program. Up to 50 percent of a private organization's expenses for a marketing program may be provided through cost-share assistance.

Section 204(h) authorizes the Secretary to use the assets of the CCC for this program.

Barter of agricultural commodities

Section 205 of the 1978 Act replaces barter provisions outside of the CCC Charter Act, including sections 1167 of the Food Security Act of 1985, section 416(d) of the Agricultural Act of 1949, and others. The Secretary is authorized to provide commodities in barter for foreign products. Eligible commodities include those acquired by the CCC through price support operations or in the normal course of business. The Secretary or CCC may provide commodities, technical advice and assistance to U.S. exporters that barter for foreign products or to develop foreign markets for U.S. exports. The Secretary or CCC is authorized to transfer foreign products that they obtain to other government agencies, provided they are fully reimbursed within the same fiscal year. This section does not limit the CCC's authority to acquire, hold or dispose of such foreign materials. The Secretary or CCC is required to take reasonable precautions to prevent the misuse of eligible commodities in a barter or exchange program.

Agricultural Credit Revolving Fund

Section 206 of the 1978 Act restates section 4(d)(6) of the Food for Peace Act of 1966.

Section 206(a) authorizes the Corporation to use the Agricultural Export Credit Revolving Fund without fiscal year limitations. Financing available through this fund may be used for commercial sales of private or CCC stocks; export sales of breeding animals; and the establishment of facilities in importing countries for handling, marketing, processing, storing, or distributing agricultural commodities.

Section 206(b) provides that the CCC use the Fund only where there exist or where substantial potential exists for commercial markets for U.S. agricultural commodities.

Section 206(c) requires the Secretary to use the Fund to finance sales to the greatest feasible number of countries consistent with maximizing market opportunities. A minimum of 85 percent of the Fund shall be used for commercial sales of private or CCC stocks. A maximum of 25 percent of the Fund may be used for any one country for commercial sales.

Section 206(d) authorizes appropriations as necessary for the Fund. All funds received in payment for credit extended under the Fund, including interest, shall be added to the Fund.

Section 206(e) abolishes the Fund on October 1, 1995, with remaining unobligated money transferred to the Treasury.

Section 206(f) provides that the authority for the Fund is in addition to existing authorities for the Secretary or the CCC.

Section 206(g) limits the authority to incur loan obligations to the level of new direct loan obligations provided in annual appropriations Acts.

Combination of programs

Section 207(a) of the 1978 Act provides if a country fails to meet its financial qualifications under the direct credit sales program or export credit guarantee program, the Secretary may provide commodities under the Export Enhancement Program to that country.

Section 207(b) requires the Secretary to annually review and adjust the quantity of commodities provided to a country under (a).

Section 207(c) permits the CCC to blend commercial export credit guarantees with direct credits to reduce the interest on export sales of agricultural commodities.

SUBTITLE B—IMPLEMENTATION

Funding levels

Section 211(a) of the 1978 Act provides that the CCC may make available such funds as necessary for the direct credit program.

Section 211(b) provides that the CCC shall make available at least $5 billion in short-term export credit guarantees in each fiscal year 1991-95 and $500 million in intermediate-term export credit guarantees.

Section 211(c) provides that the CCC or Secretary shall make available between $225 millon and $325 million to implement the MAP.

Regulations

Section 212 of the 1978 Act directs the CCC or Secretary to promulgate regulations to carry out the provisions.

Authorization of appropriations

Section 213 of the 1978 Act authorizes such sums as necessary for the title.

TITLE III—RESPONSE TO UNFAIR TRADE PRACTICES

Purpose of authorities

Section 301 of the 1978 Act states that this title authorizes the Secretary to carry out program to meet the U.S. agricultural trade policies directed at foreign unfair trade practices.

Export enhancement program to combat unfair trade practices

Section 302 of the 1978 Act replaces section 1203 of the Agricultural and Food Act of 1981 and section 1127 of the Food Security Act of 1985.

Section 302(a) provides that the Secretary shall carry out a export enhancement program (EEP) to discourage unfair trade practices by foreign countries and to encourage the development, maintenance, and expansion of U.S. export markets.

Section 302(b) authorizes the Secretary to provide agricultural commodities or funds to U.S. exporters, users or processors under this program.

Section 302(c) elaborates the terms and conditions of the export enhancement program. Export incentives shall be made to the extent necessary to counter or offset the adverse effect of unfair foreign trade practices. Such incentives should make U.S. agricultural commodities available at the world market price in the foreign market. Priority should be given to sales in traditional markets for U.S. commodities. The Secretary shall avoid displacement of usual U.S. marketings and take reasonable precautions to prevent the resale or transshipment of the exported commodities. The Secretary shall take action to prevent the domestic users from being placed at a competitive disadvantage compared to foreign purchasers of a agricultural commodities receiving incentives. The cost of freight may be included, and commodities different from those in the transaction may be provided as incentives.

Section 302(d) prohibits the purchase of agricultural commodities solely for use under this program.

Section 302(e) directs the Secretary to carry out this program through the CCC.

Section 302(f) exempts EEP initiatives from the price restrictions normally required of CCC's use of commodities.

Section 302(g) provides that the authority for this program is in addition to existing authorities.

Section 302(h) requires that the Secretary establish certain administrative procedures for reviewing transactions, bonuses and exporter claims. Participants shall permit the Secretary to have complete access to records related to the assistance during and for 5 years after participation.

Section 302(i) requires the Secretary to make available at least 10 percent of the program incentives for sales of value-added, fortified, or high-value products.

Section 302(j) provides that the Corporation shall make available such incentives as are necessary to carry out the program in years 1991-95.

Regulations

Section 303 of the 1978 Act provides that the Secretary or CCC shall promulgate the necessary regulations for the export enhancement program.

TITLE IV—GENERAL PROVISIONS

Agricultural embargo protection

Section 401 of the 1978 Act restates section 1204 of the Agriculture and Food Act of 1981.

Section 401(a) provides that the Secretary shall compensate producers of any agricultural commodity if the President or other member of the executive branch of the Federal Government (1) suspends or restricts the export of such commodity for national security or foreign policy reasons; (2) such action is not imposed on all exports from the U.S. to such country or region; and (3) total sales of such commodity to the country or region in the preceding year exceeded 3 percent of total exports of such commodity.

Section 401(b) sets forth the calculation of payments to producers of commodities which receive payments under title I of the Agricultural Act of 1949.

Section 401(c) provides that such payments shall be made in 90-day intervals for each marketing year or part thereof that the suspension or restriction is in effect.

Section 401(d) authorizes the Secretary to use the CCC to carry out these provisions.

Section 401(e) provides that the Secretary may issue necessary regulations for the agricultural embargo protection.

Development of plans to alleviate adverse impact of embargoes

Section 402 of the 1978 Act restates section 1205 of the Agriculture and Food Act of 1981. This section directs the Secretary to develop a contingency plan to alleviate the adverse impact of embargoes. Such plan should assess existing programs that may offset such actions; evaluate the adverse impact of such action on producers, elevator operators, common carriers and exporters; and develop criteria to offset the adverse impact in each sector. The Secretary shall recommend to the Congress any changes in existing programs or new programs where a suspension or restriction occurs but producers are not compensated under section 401.

Contracting authority to expand agricultural export markets

Section 403 of the 1978 Act restates section 4205 of the Omnibus Trade and Competitiveness Act of 1988. This section provides the Secretary authority to contract with individuals for services outside the United States as necessary or appropriate to maintain, develop or enhance export markets. Such individuals are not officers or employees of the United States.

Trade consultations concerning imports

Section 404 restates section 1151 of the Food Security Act of 1985. This section provides that the Secretary shall consult with the Administrator of the Foreign Agricultural Service, the United

States Trade Representative (USTR), and other appropriate USDA agencies and offices before relaxing or removing any restriction on agricultural imports.

Technical assistance in trade negotiations

Section 405 restates section 4202 of the Omnibus Trade and Competitiveness Act of 1988. This section requires that the Secretary provide technical services to USTR on agricultural trade or international agricultural negotiations.

Prohibition on duty drawback

Section 406 of the 1978 Act prohibits a person from participation in an export program where the agricultural commodity has been or will be used as the basis for a claim of a refund, as drawback, of any duty, tax or fee imposed under Federal law on an imported commodity or product. Export programs in this section include assistance under title I or title III of the Agricultural Trade Development and Assistance Act of 1954 or any other export credit, credit guarantee, bonus or other export program carried out through the CCC or funded pursuant to section 32 of "An act to amend the Agricultural Adjustment Act, and for other purposes." A participant may not use these export programs to export vegetable oil or products thereof used for a claim of drawback on the imported raw commodity. Certification that no such drawback has been made may be required for participation in the programs.

TITLE V—FOREIGN AGRICULTURAL SERVICE

Under Secretary for international affairs and commodity programs

Section 501 of the 1978 Act establishes the position of Under Secretary of Agriculture for International Affairs and Commodity Programs in the Department of Agriculture. Such position is appointed by the President with the advice and consent of the Senate. The Under Secretary is authorized to exercise functions and perform duties related to foreign agriculture and agricultural stabilization and conservation.

Administrator of the Foreign Agricultural Service

Section 502 of the 1978 Act establishes the position of Administrator of the Foreign Agricultural Service (FAS) in the Department of Agriculture. Such position is appointed by the President with the advice and consent of the Senate. The Administrator is authorized to exercise functions and perform duties related to foreign agriculture, and shall oversee the operations of FAS, the General Sales Manager and the Agricultural Attaches. The Administrator, if a member of the Foreign Service, may rejoin the Foreign Service and retains full retirement rights and benefits.

Responsibilities of the Foreign Agricultural Service

Section 503 of the 1978 Act provides that FAS shall assist the Secretary in carrying out the agricultural trade policy of the United States. FAS is responsible for the promotion of U.S. agricultural exports; facilitation of economic assistance and development through programs authorized by this Act or elsewhere in law; rep-

resentation of U.S. producers, processors and exporters in trade negotiations; and collection of information on foreign production, markets and government policies affecting agricultural trade.

Provision of trade assistance

Section 504 of the 1978 Act restates section 4206 of the Omnibus Trade and Competitiveness Act of 1988. This section establishes a Trade Assistance Office within FAS. This office shall provide trade assistance and information to U.S. exporters or those who believe they have been injured by unfair foreign trade practices. To achieve this, the office shall compile and make available international trade information and provide assistance on programs carried out by the Service, the CCC and other agencies for international marketing and export, especially where foreign unfair trade practices exist. The office shall also coordinate the dissemination of information with the Extension Service.

Staff of the Foreign Agricultural Service

Section 505 of the 1978 Act restates section 4211 of the Omnibus Trade and Competitiveness Act of 1988. This section authorizes a minimum of 900 staff years to FAS for operation of the agricultural export programs. The Secretary of State shall accord the diplomatic title of Minister-Counselor for up to 12 senior Service officers assigned to any U.S. mission abroad.

Authorization of appropriations

Section 506 of the 1978 Act authorizes such sums as necessary to carry out the provisions of this Act.

TITLE VI—REPORTS

Long-term agricultural trade strategy reports

Section 601 of the 1978 Act restates section 4201 of the Omnibus Trade and Competitiveness Act of 1988. The Secretary shall prepare a Long-Term Agricultural Trade Strategy Report every three years. This report shall detail the Long-Term Agricultural Trade Strategy, and review the actual agricultural trade and the U.S. trade strategy and goals for the prior 3-year period. The report and updates will be submitted with the President's annual budget submission to Congress. The Secretary may designate portions of the report confidential and will not available to the general public if such information could disadvantage the United States in specific foreign markets or is business confidential.

Other reports to Congress

Section 602 of the 1978 Act provides that additional reports be made to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate. These reports include an annual report on barter; a bimonthly update on export assistance; an annual report on the operation of the Trade Assistance Office; a quarterly report on the level of export sales, the use of credit guarantees and direct loans; and an annual report concerning the food aid assistance programs.

Amendments to the Agricultural Act of 1954

Section 1122 amends the Agricultural Act of 1954 (the "1954 Act") by adding new text. Section numbers below refer to the sections of that Act as amended.

Annual Reports by Agricultural Attaches

Section 108 of the 1954 Act renews section 1132 of the Food Security Act of 1985. This section requires the Agricultural Attaches to prepare an annual report on foreign government programs that support foreign exports and impede U.S. imports of agricultural commodities. The report should identify opportunities for increased U.S. exports. The Secretary shall compile an annual report from the attache reports and make such report available to Congress and interested parties. The Secretary shall, in consultation with the agricultural technical advisory committees, make a priority ranking of those trade barriers and a list of actions undertaken to reduce or eliminate such barriers. The Secretary and USTR will meet annually with the Agricultural Policy Advisory Committee and agricultural technical advisory committees to develop recommendations to reduce or eliminate barriers to trade and to expand U.S. export opportunities.

Attache educational program

Section 109 of the 1954 Act restates section 4212 of the Omnibus Trade and Competitiveness Act of 1988. This section establishes a program whereby attaches returning to the United States visit and consult with producers, exporters and State officials concerning methods to increase exports of U.S. agricultural commodities and products.

Prohibition on use of title

Section 1123 extends the prohibition on the use of the title "Assistant Secretary of Agriculture for International Affairs and Commodity Programs".

SUBTITLE C—GENERAL PROVISIONS

Food security wheat reserve

Section 1131 extends the Food Security Wheat Reserve, established in section 302 of the Food Security Wheat Reserve Act of 1980, through 1995.

Cottonseed oil and sunflower oil exports

Section 1132 revises the Cottonseed Oil and Sunflower Oil Export programs, established in section 301(b) of the Disaster Assistance Act of 1988. This provision provides that $50 million of the available funds shall be used to encourage the export of sunflowerseed oil and cottonseed oil at competitive world prices. Such funds shall be fully obligated in years such sums are available and the domestic prices of such oils exceed competitive world prices. Benefits under the program shall be only to the extent necessary to encourage the sale. To the maximum extent practicable, equivalent funds should be used for sales of sunflower seed oil and cottonseed oil.

Agricultural Fellowship Program for middle income countries and emerging democracies

Section 1133 authorizes the Secretary to establish a fellowship program for agricultural study in the United States for middle income countries and emerging democracies. The fellowships should help recipients gain knowledge and skills that will be used to develop agricultural systems to meet the foreign country's food needs and to strengthen and enhance trade linkages with U.S. agricultural interests.

The program is authorized up to $10 million per fiscal year. The Secretary shall accept money or other assets from outside sources for general program funds.

Multilateral trade negotiations

Section 1134 states the sense of Congress that the objectives of the Uruguay round of negotiations on agriculture under the General Agreement on Tariffs and Trade (GATT) are to reform global agricultural trade and eliminate trade-distorting policies. The objective should be an agreement that provides U.S. agriculture the opportunity to compete fairly in international markets; permits U.S. farmers a safety net against market instability; assures consumers of adequate supplies of high quality, reasonably priced food; and meets humanitarian food needs.

This section reviews the negotiating objectives in section 1101(b) of the Omnibus Trade and Competitiveness Act of 1988. The United States should ensure that any agreement is beneficial to U.S. agricultural producers and businesses; does not leave an individual commodity vulnerable to unfair treatment or increased barriers; ensures that various sectors of U.S. agriculture receive equitable and fair treatment; permits countries to provide income support and stability from the vagaries of the market directly or indirectly through self-help efforts; provides a period of adjustment in cases where the reduction or elimination of trade barriers or subsidies would cause industry adjustment and resource reallocation; and does not sacrifice the interests of the agricultural sector for other sectors of the U.S. economy. The United States should seek the immediate elimination of export subsidies; prohibit self-executing agreements that would unduly restrict the U.S. from stabilizing its agricultural economy; prohibit an agreement to limit U.S. authority to promote or protect domestic agricultural programs without meeting the objectives in this section; and limit the special and differential treatment for developing countries that compete with the United States.

The President shall prepare a report on the details of any agreement on agriculture and how such an agreement meets the objectives and criteria of these provisions. Such report shall be submitted to Congress within 30 days after conclusion of the agreement.

Triggered marketing loans

Section 1135 renews the triggered marketing loan provision of section 4301 of the Omnibus Trade and Competitiveness Act of 1988. This section requires the President to certify to Congress by February 15, 1991, whether significant progress has been made in

the GATT negotiations on agriculture. If the President does not certify that significant progress has been made, the President shall implement a marketing loan program for the 1991 crops of wheat, feed grains, and soybeans. If the President waives this marketing loan authority, an additional $2 billion in commodities and products shall be made available for the export enhancement program.

SUBTITLE D—CONFORMING PROVISIONS AND TECHNICAL CHANGES

Sections 1141 through 1147 provide the technical amendments as a result of this legislation to the Omnibus Trade and Competitiveness Act of 1988, the Food Security Act of 1985, the Agriculture and Food Act of 1981, the Food for Peace Act of 1966 and the Agricultural Act of 1949, the Agricultural Act of 1956 and the Agricultural Technical Corrections Act.

TITLE XII—CONSERVATION

Short title

Section 1201 provides that the Conservation Title is named the Conservation Stewardship Act of 1990.

SUBTITLE A—SOIL AND WATER CONSERVATION

Conservation Stewardship Program

Section 1211 amends subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 1231 et seq.), changing the name of the subtitle from the Conservation Reserve Program (CRP) to the Conservation Stewardship Program (CSP). (Unless otherwise noted, all amendments in subtitle A of this title should be considered as amending subtitle D of title XII of the Food Security Act of 1985, which is denoted as the "FSA of 1985."

Chapter 1—General provisions

Section 1230 of the FSA of 1985 is created, naming it the Conservation Stewardship Program (CSP). The CSP will be implemented through contracts and the acquisition of easements to assist owners and operators of highly erodible lands, other fragile lands, and wetlands. The program is intended to conserve and improve the soil and water resources of the farms or ranches of participating owners and operators.

The Secretary, in implementing the CSP, is directed to enter into CRP and Wetland Reserve Program (WRP) contracts through the 1995 crop year. The total amount of acres is to be at least 40 million but not more than 50 million. The Secretary, in determining whether to exceed 40 million acres, is directed to consider commodity prices and various supply and demand factors, all of which are indicators of whether there will be an adequate supply of commodities for domestic, export, and reserve needs.

Implementation

The CSP shall consist of the CRP and the WRP. Acreage that was enrolled into the CRP before enactment of this title will be considered CSP land, for the purposes of chapter 1.

County limitation

The Secretary is directed not to place more than 25 percent of the cropland in any one county (not counting the acreage enrolled into the water quality incentives program (WQIP—chapter 4)). The Secretary may exceed this cap if this will not adversely affect the local economy of the county. Land enrolled into the CSP for the purposes of shelterbelts or windbreaks does not count towards this limitation.

Water quality incentives program acreage

Acreage that is enrolled into the WQIP is counted as enrolled into the CSP, but only after the number of WQIP acres is converted into an equivalent number of CRP acres. The conversion is calculated by dividing the WQIP acreage by the ratio of the costs of enrolling land onto the CRP and the costs of enrolling land into the WQIP.

WQIP acreage limitation

No more than 1 million acres (after conversion from WQIP acres to CRP acres) may be considered enrolled into the CSP. An additional 1 million acres (after the same conversion) may be considered as enrolled into the CSP with respect to the 1995 and subsequent crop years if such acreage is not needed to meet the erosion control or other objectives of the CSP, as determined by the Secretary.

Extension of the Conservation Reserve Program

Section 1212 further amends the FSA of 1985 by extending the CRP to 1995, amending the county limitation, and adds a new provision that denies CRP and other farm program benefits to CRP participants who convert highly erodible forage lands to crop production.

Chapter 2—Conservation Reserve Program

Section 1231 of the FSA of 1985 is amended, in general, by extending the enrollment dates for the CRP from 1990 to 1995. The Secretary is directed to enroll by 1995 the acres needed to meet the CSP acreage goals.

County limitation

Section 1231 is further amended by altering subsection (d) to say that, notwithstanding the county limitation established for the CSP, the Secretary shall permit CRP acreage to exceed the 25 percent county limit to the extent producers in the county are having severe difficulty in meeting existing conservation and environmental requirements. The Secretary is also directed not to require the written consent of a member of Congress when making a decision to exceed this limitation.

Prohibition against sodbusting for CRP participants

Section 1232(a) of the FSA of 1985 is amended. If a county has not reached its 25 percent CRP limitation, a person who is participating in the CRP and produces an agricultural commodity on

highly erodible lands that has no cropping history other than forage (range or pasture) shall forfeit all further CRP payments and return all previously received CRP payments (including cost-share payments) (See 1232(a)(5)(A)), and will be denied Federal farm program benefits.

Shelterbelts, windbreaks, marginal pasturelands, and other eligible lands

Section 1213 amends Section 1231 of the FSA of 1985 by instructing the Secretary to enroll types of land different from those that have been the focus of the CRP under the FSA. Land that is not highly erodible is to be enrolled if it is to be planted to shelterbelts, windbreaks or permanent contour grass strips. Land that has not been cropped, but is environmentally sensitive marginal pastureland shall be enrolled. And, croplands that pose a water quality threat, that cannot be treated under the water quality management incentives program, shall be enrolled into the CRP.

Shelterbelts, windbreaks and contour grass strips

The Secretary shall enroll lands, that are not highly erodible, into the CRP if: (1) these lands are to be planted to shelterbelts, windbreaks or permanent contour grass strips or some other similar purpose; and (2) these lands will help avoid or mitigate soil loss on highly erodible cropland or an on-farm or off-farm environmental threat.

Owner or operators of the lands entering the CRP and that are to be planted to shelterbelts or windbreaks must agree to protect, through a conservation easement, these plantings for their useful life.

Marginal pastureland

The Secretary shall enroll into the CRP land that is pastureland and is environmentally sensitive, economically marginal and sustainable for tree planting, and that is not otherwise eligible to be placed in the reserve, if such land will be devoted to trees. These lands are not eligible for any other cost-share assistance under any other Federal program.

CRP and water quality lands

The Secretary shall enroll into the CRP lands that are not otherwise eligible for the program, if the Secretary determines, in consultation with the Chief of the Soil Conservation Service (SCS), that such lands, when placed into the CRP, will ameliorate or prevent an on-farm or off-farm threat to water quality.

These lands shall include: (1) cropland within a wellhead protection area; (2) cropland that is in shallow Karst topography areas where sinkholes convey run-off water directly into ground water; (3) critical cropland areas within section 319 watersheds (of the Federal Water Pollution Control Act (33 U.S.C. 1329)); and (4) cropland areas that pose an endangered or threatened species threat.

Based on an evaluation of the costs and benefits of achieving improvements in the water quality, the Secretary may enroll filter strips or other lands.

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These water quality lands, when enrolled into the CRP, shall not count towards the 25 percent county limitation if the Secretary determines that economic costs of removing these lands from production are outweighed by the water quality benefits that will result.

Land may not be enrolled into the CRP for these water quality purposes if such lands can be successfully treated with the water quality management incentives program established in chapter 4.

The use of easements on CRP lands

Section 1214 amends subtitle D of Title 12 of the FSA of 1985 by adding a new section, 1232A. This new section permits the Secretary to purchase 30-year or permanent conservation easements, at the option of the land owner or operator, on lands that are to be enrolled into the CRP. The Secretary is directed to attempt to use permanent easements in implementing the CRP, to the extent practicable. Owners or operators are to be paid no more than the fair market value of the land for these easements.

Converting CRP lands in grass to other conserving uses

Section 1215 allows CRP participants whose CRP lands are in grass to convert these lands to trees, shelterbelts, windbreaks, or wetlands, and in some case to extend the period of the contract or convert it to long term or permanent easements.

Conversion to trees

Section 1235A is added to the FSA of 1985. This new section permits the landowner to convert a CRP grass contract to hardwood trees, or shelterbelts, or windbreaks. The contract on land that will be devoted to hardwood trees may be extended to a total length of 15 years.

If these lands are to be converted to shelterbelts or windbreaks, the owner or operator shall agree to give the Secretary a conservation easement on these lands that will protect the plantings for their useful life.

Conversion to wetlands

CRP lands that are also wetlands converted prior to December 23, 1985 (as defined under subtitle C of Title XII of the FSA of 1985) may be converted from grass to wetlands if the owner or operator agrees to a long-term or permanent easement under chapter 3 covering such areas, there is a high probability that the area can be successfully restored, and the restoration otherwise meets the requirements of chapter 3.

Tree planting incentives

Section 1216 creates several new incentives to encourage the planting of trees on current and prospective CRP lands.

Continuous sign-up for hardwood trees

Paragraph (4) is added to Section 1234(c) of the FSA of 1985. The Secretary is instructed to permit bids to be accepted on a continuous basis if such lands are to be planted to hardwood trees.

Cost share assistance

Subsection (b) of section 1234 of the FSA of 1985 is amended, by adding an additional category of cost-share assistance. In general, the Secretary will continue to pay 50 percent of the costs of establishing conservation cover on CRP lands. The Secretary is directed to pay 50 to 75 percent of the maintenance costs of hardwood trees, shelterbelts and windbreaks, for a 2 to 4 year period commencing from the date a tree is planted. These maintenance costs shall include those of replanting trees, if the trees were lost due to factors out of the control of the owner or operator. If more than 10 acres are to be planted to hardwood trees, the planting of these trees may be extended over a 3 year period, as long as one-third of the trees are planted in each of the first two years.

Length of contract

Section 1231(e) of the FSA of 1985 is amended. Contracts entered into after October 1, 1990 for the purpose of planting shelterbelts, windbreaks or hardwood trees, and CRP contracts that were converted to these uses from grass (as permitted above—see section 12105), may be extended in length, up to a total of 15 years.

Bid-back program

Section 1217 amends 1234(c) of the FSA of 1985 by adding paragraph (5). This new paragraph gives the Secretary the authority to conduct a "bid-back" program. In such a program, the least highly erodible land in the CRP could leave the program if there are other highly erodible lands waiting to be enrolled. The net result of such an exchange of lands is to be the same or greater reduction in erosion savings, at the same or less total cost to the Federal Government.

Acceptability of contracts for the CRP

Section 1218 amends section 1234(c)(3) of the FSA of 1985 by adding new subparagraphs (E) and (F), adding factors which the Secretary is directed to consider when determining whether or not to accept CRP contract offers. The Secretary is directed to give priority to offers that would provide for the greatest public benefit and to take into consideration the potential benefits to wildlife.

Ownership requirement

Section 1219 amends Section 1235(a) of the FSA by adding a new paragraph, (3)(A). The CRP's three year ownership requirement shall be waived for lands that are administered, as of the 1987 Farm Credit Act Amendments of 1987, by a Farm Credit System institution, by the Secretary under the Consolidated Farm and Rural Development Act, or a private lender.

The Secretary shall make payments only to family farmers who purchase or lease the cropland administered by these institutions, except that the Secretary shall not give preference to family farmers when there are offers to enroll land from persons who otherwise meet the CRP ownership requirements. In this case, the Secretary shall give priority to these latter owners or operators.

Family farmer is defined to mean an owner or operator (as of the time immediately before such sale or lease) of not larger than a family size as defined under the Consolidated Farm and Rural Development Act.

Duties of owners and operators

Implementation of plans and the treatment of certain acreage

Section 1220 amends section 1212(a) of subtitle B of the FSA of 1985 by adding a new paragraph, which gives an owner or operator up to two years to implement their conservation plan after the CRP contract period has ended, if the plan requires the construction of structures. Section 1231 of the FSA of 1985 is also amended by adding a new subsection which states that the highly erodible lands provisions of section 1212 of subtitle B of the FSA of 1985 will apply to highly erodible lands as they leave the CRP.

New erodibility requirements

Section 1212 of the FSA of 1985 is also amended to say that any highly erodible lands entering the CRP after the date of enactment of this Act must meet the soil loss tolerance standard for these lands to ensure there is no net loss of soil. The Secretary may specify a different erosion standard if it is determined that such a soil loss standard is not feasible on these lands.

Agronomic cropping

This subsection amends section 1232 of the FSA of 1985 by adding a new subsection which permits agricultural commodities to be planted between the rows of trees on CRP lands, if the trees are hardwoods, are at least 3 years of age, and the rental payments paid by the Federal Government are reduced by at least 50 percent. The total amount of dollars expended by the Federal Government on any contract that is modified according to this subsection shall not exceed what would have been expended if no modification had been undertaken.

Expiration of conservation reserve contracts

Section 1221 amends section 1236 of the FSA of 1985 by adding a new subsection. The Secretary is given the authority to extend for as long as the Secretary decides is appropriate, the protection of crop acreage bases, quotas and allotments on CRP lands after the contracts expire if the owner or operator agrees to continue to keep the land in the appropriate conserving uses.

Study and treatment of post-contract CRP lands

Section 1222 directs the Secretary to undertake a study of the lands currently in the CRP to determine what are the best options available for dealing with these lands when their contracts expire. The study is to include such subjects as the tradeoffs between providing incentives to producers to keep some of these lands out of production versus allowing them to return to production, various levels of post-CRP economic use in exchange for conservation practices, and the use of easements to preserve conservation cover. The

Secretary is to provide such report to Congress no later than December 31, 1993.

Contract extension

The Secretary may extend CRP contracts, or purchase conservation easements during crop years 1996–2000. Lands eligible for such extensions or purchases are to be determined on the basis of the results from the above study. The participating owner or operator may select either the easement or the multi-year contract for this land.

Wetlands Reserve Program

Section 1223 amends subtitle D of the FSA of 1985 by adding at the end a new chapter, chapter 3. In general, this chapter establishes a wetlands reserve program (WRP), by which previously converted wetlands are restored to wetlands status, and subsequently protected in this state with long-term or permanent conservation easements. The Federal Government shares 75–100 percent of the costs of restoration, depending on the length of the easement. The land-owner, in agreeing to the easement, exchanges certain use rights for compensation that does not exceed the fair market value of the land.

Size

In section 1240A of this new chapter, the Secretary is directed to attempt to acquire, to the extent practicable, such easements on 1 million acres of land by crop year 1995. These acres shall be counted towards the 25 percent county cropland limitation established for the CSP (including the CRP and the CSP).

Eligible lands

Existing farmed wetlands, or converted wetlands are eligible. Wetlands converted after December 23, 1985 are not eligible. Wetlands are to be restored under the WRP only if the effort has a good probability of successfully creating a valuable wetland. Other wetlands on the property of the person enrolling into the WRP, that are otherwise not eligible for the program, may be enrolled if their inclusion in the easement adds to its wetland functional value.

Easements

Section 1240B of this chapter establishes that the owner of the land must enter into an agreement with the Secretary to grant an easement. This agreement provides for the restoration and the protection of the wetland, according to the wetland easement conservation plan. This plan specifies those actions that are prohibited and permitted in conjunction with the wetlands under easement.

The easements may be permanent or 30 years in length. Compensation shall be based on the value of the property, and may be determined through a bid process. Compensation may not be provided in less than 5, nor more than 20 annual payments, and may be of either equal or unequal size.

Duties

The owner and or the operator of the land is to comply with the terms of the easement. The Secretary shall compensate the owner for the easement, and share in the cost of restoring the wetland. The cost-share rate shall be not more than 75 percent if the easement is 30 years in length, and not more than 100 percent if the easement is permanent.

Section 1240E of this chapter establishes that the Commodity Credit Corporation (CCC) shall be used to carry out the WRP, but that no funds shall be expended if they are not appropriated.

Agricultural Water Quality Incentives Program

Section 1224 requires the Secretary to establish an "Agricultural Water Quality Incentives Program." Agricultural practices are encouraged to achieve major reductions in potential for contamination or degradation of surface water or ground water, emphasizing practices enhancing farm profitability and productivity.

Croplan ls shall be eligible if determined by the Secretary to contribute to the degradation of water quality. Priority will be given to areas determined by a State program, in consultation with EPA, as potential areas for contamination or degradation of surface or ground water. The types of cropland eligible for this program includes:

—areas within 1,000 feet of a public well (well-heads);
—shallow Karst areas;
—lands subject to Section 319 of the Federal Water pollution Control Act; and
—lands where nonpoint agricultural sources pose a threat to endangered species habitats.

Plans must include specific goals and objectives to ensure a major reduction in potential for contamination or degradation of surface or ground water by pollutants associated with agricultural production.

Owners or operators must enter into contracts with the Secretary to include:

—a farm management plan;
—a description of practices to implement these objectives;
—a description of practices to increase profitability; and
—a schedule for implementation deadlines, performance maintenance activities, and performance standards.

Annual acreage-based incentive payments will reimburse producer for costs of practices in the plan. Payments shall be made for 3-5 years, not to exceed approximately $3500 annually, and may be provided to the producer in a lump sum.

Producers must maintain practices in the plan for five years or refund incentives payments plus interest. Revisions of the plan, agreed to by the Secretary, to account for natural causes; severe economic loss threatening viability of the farm; changes in production patterns or other circumstances; and other modifications that will not compromise the objectives of the plan, are allowed. Producers must also meet conservation compliance requirements to receive payments.

The Secretary shall provide technical assistance through the Extension Service (ES) and the Soil Conservation Service (SCS) to develop and carry out plans. Information regarding such plans must be maintained by the Secretary on a national and State-by-State basis.

The Secretary shall contract with producers for demonstration or model farm programs to provide education, information and demonstrations of agricultural practices to reduce contamination or degradation of surface or ground water. Pilot projects may also be set up to provide assistance on farming operations and production conditions for the efficient use of inputs and to reduce waste.

Technical and conforming amendments

Section 1225 generally renames the Conservation Reserve Program (CRP) as the Environmental Acreage Conservation Reserve Program. Other conforming changes are to be supplied.

SUBTITLE B—AMENDMENTS TO TITLE XII OF THE FOOD SECURITY ACT OF 1985

Definition of an agricultural commodity

Section 1231 amends section 1201(a)(1) of subtitle A of the FSA of 1985 by changing the definition of an agricultural commodity in subparagraph (A). The old definition states that an agricultural commodity is a crop that is planted and produced by annual tilling of the soil. The new definition adds any agricultural commodity considered planted under an acreage reduction program authorized by title I of the Agricultural Act of 1949.

Highly erodible land

Section 1232 amends section 1212 of subtitle B of the FSA of 1985 (the highly erodible land provision) by adding a new subsection (d). This new subsection allows the Secretary to limit a tenant's ineligibility due to non-compliance with a conservation plan to only that farm on which non-compliance occurs, under certain circumstances. If the tenant has made a good faith effort to get a reasonable compliance plan, and the landowner refuses to allow the tenant to comply with such a plan, and the county committee determines that there is no scheme or device, the Secretary may grant this variance to the ineligibility requirements.

Highly erodible land conservation

Section 1233 adds two new subsections to section 1212 of the FSA of 1985. Subsection (e) instructs the Secretary, when assisting an individual in the preparation or revision of their conservation plan, to provide information on all cost-effective and applicable erosion control measures. Subsection (f) instructs the Secretary to collect and maintain comprehensive data on the natural resource consequences of the implementation of conservation compliance plans.

Non-commercial production of agricultural commodities

Section 1234 amends section 1212 of the FSA of 1985 by adding a new subsection (g), which states that conservation compliance shall

not apply to the non-commercial production of commodities on a farm, if this production is on two acres or less.

Outreach to socially disadvantaged farmers

Section 1235 amends subtitle E of the FSA of 1985 by adding the provision that the Secretary shall provide outreach and technical assistance to farmers meeting the socially disadvantaged criteria described in section 8(a)(5) of the Small Business Act (15 U.S.C. 637(a)(5)). Such assistance is to help such persons participate in all of the programs established under this title. This assistance may include grants and work with the 1890 colleges. The Director of the Office of Advocacy and Enterprise of the Small Business Administration is to prepare a report for Congress on the rate of minority participation in each program established under this title.

Programs to control the spread of weeds and pests

Section 1236 amends subtitle E of title XII of the FSA of 1985 by adding a new section, section 1246. This section directs the Secretary to work with the appropriate Federal and State agencies in the development of a weed and pest control technical guide for use by owners and operators participating in the CRP. An owner or operator who fails to follow the recommendations of this technical guide, as determined by the Secretary and following review by the appropriate Federal and State authorities, shall have their CRP rental payments reduced.

SUBTITLE C—FARMLAND PROTECTION POLICY ACT

Identifying the effects of Federal programs

Section 1241 amends section 1541(b) of the Farmland Protection Policy Act (7 U.S.C. 4202(b)) by adding the provision that the Secretary is to identify and report on the quantity of farmland actually converted by Federal programs.

SUBTITLE D—WATERSHED PROTECTION AND FLOOD PREVENTION ACT

Relation of benefits to agriculture

Section 1251 amends the Watershed Protection and Flood Prevention Act of 1954 by requiring that all projects receiving cost-share assistance under this program shall include rural agricultural upstream benefits. Also, project sponsors are required to purchase the easements on land necessary for the disposal of any dredge materials.

Wetlands easements

The Secretary is given the authority to provide cost-share assistance to local project sponsors for the purchase of wetlands easements, whose purpose is to assist in the control of flood waters, and provide other related benefits. The Secretary is directed to require that the local sponsors provide up to 50 percent of these easement costs.

Construction and maintenance costs

The Secretary is directed to provide up to 100 percent of the construction costs of structural measures. The local sponsors are directed to pay 100 percent of the operation and maintenance costs of these projects.

Data

The Secretary is directed to collect and maintain comprehensive national and State data concerning expenditures for these programs, and the associated flood control and environmental benefits.

SUBTITLE E—FARMLAND PROTECTION

Short title

Section 1261 establishes the title of this subtitle as "Farms for the Future Act of 1990".

Findings and purposes

Section 1262 finds that States, local governments, and private non-profit organizations have exercised leadership in conserving the agricultural land resources of the United States; and the conversion of agricultural land resources to non-agricultural uses is happening at such a rapid rate in some States that efforts to conserve these resources must be dramatically increased to assure the long-term viability of agricultural production in these States.

Definitions

Section 1264 establishes the program as the "Agricultural Resource Conservation Demonstration Program" and describes the inprofit entities for the preservation of farmland. The section also defines the types of lending institutions whose services could be used in this program, and defines what is considered an eligible loan.

Establishment of program by Secretary

Section 1264 establishes the program as the "Agricultural Resource Conservation Demonstration Program" and describes the interest subsidy provided by the Farmers Home Administration (FmHA) under this program as well as the funding mechanism to be used by the Secretary.

Federal accounts

Section 1265 sets up an account within Treasury to meet the obligations of the Secretary under this subtitle.

Applications

Section 1266 describes the annual application process for States wishing to participate in the program.

Administration

Section 1267 describes the administration of the program including annual applications, the Federal match amount and limit.

Report

Section 1268 requires the Secretary to report to Congress annually from September 30, 1992 on regarding the progress of the program.

Duration of program

Section 1269 sunsets the program on September 30, 1996 except that outstanding financial obligations of the Secretary shall continue to be met.

Implementation and effective date

Section 1270 requires the Secretary to promulgate final regulations within 160 days from the date of enactment. This subtitle becomes effective as of October 1, 1990.

SUBTITLE F—MISCELLANEOUS PROVISIONS

Great Plains Conservation Program

Section 1271 reauthorizes the Great Plains Conservation Program through the year 2001, by amending section 16(b) of the Soil Conservation and Domestic Allotment Act. The funding authority for this program is increased from $600 million to $1.2 billion. A new subsection (j) is added to this legislation, directing the Secretary to substitute, where practicable, more intensive management measures for structural measures. A new subsection (k) directs the Secretary to collect and maintain comprehensive data on the economic and natural resource consequences of the applications implemented under this program.

Assistance for compliance with environmental laws

Section 1272 directs the Secretary to assist producers, upon their request, who are under a State or Federal order to comply with an environmental law that requires a reduction in the potential for contamination of ground or surface water. Such assistance shall be technical in nature, and in the form of an on-farm plan. Land must be within a designated environmentally sensitive State or Federal area. The on-farm plan must provide the producer with information concerning the economic and natural resource consequences of the implementation of the plan.

Record-keeping for restricted use pesticides

Section 1273 requires the Secretary, in consultation with the Administrator of EPA, to establish guidelines for producers certified to use restricted pesticides to keep records of such use. Producers shall comply with the current State record-keeping requirements for commercial applicators, or, if there are no State requirements, keep records (at the farm level) including product name, amount used, and approximate date and location of application. Records must be kept for two years. Such records shall be made available upon request to Federal or State agencies dealing with pesticide use or health or environmental issues relating to their use, and may only be disclosed to employees of such agencies. This section also provides that, as a condition of certification for the use of restricted pesticides, producers shall agree to provide pesticide use in-

formation to medical personnel treating persons who may have been exposed to such pesticides in emergency care situations.

Integrated crop management program option

In general, section 1274 creates a program that provides producers a set of incentives to participate in a multi-year program where resource-conserving crop rotations are adopted. This program is to be called the Integrated Program Crop Option (ICM).

To participate, producers must submit and have approved a 5-year ICM plan which involves the planting of various resource conserving crops. The Secretary is to provide technical assistance in the development of these plans. The Secretary is directed to enroll, to the extent practicable, 3–5 million acres during each crop year from 1991–1995.

Participants in the ICM will not have their crop acreage bases reduced during the program as a result of the planting of resource conserving crops on their base acres. No deficiency payments will be received on the acres that are planted to such crops and are hayed or grazed, except that such payments will be received if the resource conserving crop is a small grain such as oats or triticale, or if the small grains residue is grazed following the 5-month period established in the 1949 Agricultural Act.

The Secretary may reduce the amount of acres these producers must set-aside by an amount consistent with the decline in program crop production that occurs as a result of the planting of a resource conserving crop on base acres. The Secretary may waive cross compliance requirements. The Secretary may also restrict any haying and grazing under this program if it is determined that the haying and or grazing of the resource conserving crop could adversely affect the local markets.

Prohibition on use of loans for certain purposes

Section 1275 amends subtitle D of the Consolidated Farm and Rural Development Act by adding a new section, section 359. This new section prohibits the use of loans made under such Act for the draining, dredging, filling, leveling, or any other manipulation of a wetland that results in the destruction of the wetland values. This prohibition shall not apply to the maintenance of a drainage system, or in the case of the completion of a drainage project commenced prior to the date of enactment of this section.

Wetland conservation

In general, section 1276 amends the wetland conservation provisions of subtitle C of title XII of the FSA of 1985. Four basic changes are made. The Secretary is directed to: (1) make wetland drainage minimal effect determinations; (2) permit the mitigation of a specific class of drained wetlands; (3) impose graduated sanctions on producers who have violated these provisions, but have acted in good faith; and (4) change the point at which a violation of these provisions occurs.

Minimal effects

Subsection (c) of section 1222 of the FSA of 1985 is amended to say that a person shall not be in violation of these wetland conser-

vation provisions if the result of the wetland drainage on functional wetland values is minimal.

Mitigation

Subsection (c) is further amended to say that a producer who drains a frequently cropped wetland will not be ineligible for program benefits if the producer mitigates this drainage through the restoration of a prior converted wetland. This restoration must occur in advance or be concurrent with the drainage of the frequently cropped wetland. The restoration must be in accordance with a restoration plan, and not be at the expense of the Federal Government. The restored wetland is to provide an equivalent wetland value, and shall be on not more than a one-for-one acreage basis unless more acreage is needed. The restoration must be in the same general area as the wetland that is to be converted.

The producer must also agree to protect the restored wetland for as long as the converted wetland remains in cropland, or is not returned to its original wetland classification.

Concurrence with the Fish and Wildlife Service

The minimal effects determinations must be made and the wetlands restoration plans must be developed in concurrence with the Fish and Wildlife Service (FWS) at the local level. If no agreement is possible at the local level, the decision shall be made by the State Conservationist, in consultation with the FWS.

The Secretary is directed to monitor the restored wetlands to whatever extent necessary to ensure the restoration efforts are successful.

Graduated sanctions

Section 1222 of the FSA of 1985 is amended by adding new subsections (d)-(f). Subsection (d) holds that a person who violates the wetland conservation provisions while acting in good faith, and who has not violated these provisions more than once in the last 10 years, shall be denied program benefits of a value ranging from $750 to $10,000, depending on the seriousness of the violation.

Subsection (e) says that a producer who has converted a wetland and is in violation in one crop year shall not be in violation in subsequent crop years if the producer restores the converted wetland. Subsection (f) says that all determinations and the development of restoration plans shall be made in concurrence with the FWS, at the local level.

Timing of violation

Section 1221 of the FSA of 1985 is amended by changing the point at which a violation of the wetland conservation provisions occurs. A violation is deemed to have occurred at either the point of planting an agricultural commodity on a converted wetland, or at the point of converting a wetland for the purpose of, or having the effect of making possible, the production of a commodity.

Provisions relating to compost use

Section 1277 directs the Secretary to assemble a catalog of laws, rules, and programs adopted by State and local governments, and

foreign countries, that relate to various factors affecting the quality and use of compost. The Secretary also is directed to conduct a study of compost use, and composting processes involving various forms of organic waste matter. The Secretary is directed to report to the Congress on the results of this study.

TITLE XIII—AGRICULTURAL CREDIT

References

Section 1301 states that references in subtitle A of this title are to the Consolidated Farm and Rural Development Act.

Training or experience requirement for farm ownership loans

Section 1302 sets the experience/training minimum at 3 of the previous 5 years with one of those three being on-farm experience.

Soil and water loan program

Section 1303 more clearly specifies uses of the soil and water conservation loan program.

Interest rate on farm ownership loans made to limited resource borrowers

Section 1304 sets the limited resource rate for farm ownership loans equal to that offered to limited resource rate operating loan borrowers. Currently the ownership rate is tied to 25-year maturities while operating loans use 5-year maturities. This provision simplifies the administrative procedure for establishing the limited resource rate.

Guarantee of payment by Department of Hawaiian Home Lands

Section 1305 fixes a problem with Hawaiian native lands and their eligibility for operating loans by allowing the Department of Hawaiian Home Lands to guarantee the loan.

Training or experience requirement for operating loans

Section 1306 sets the same requirement for experience and training as for ownership loans. Under this provision, 3 of the last 5 years must include one year of actual on-farm experience.

Interest rate on operating loans made to limited resource borrowers

Section 1307 sets the interest rate for limited resource operating loans the same as the rate for ownership loans.

Payment of accrued interest

Section 1308 allows for the charging of interest on interest payments that are less than 90 days overdue. This provision helps FmHA restructure and reamortize loans with interest due that is less than 90 days late. Currently FmHA would have to deal with this interest separately. This section also allows FmHA to use debt settlement in all of its loan programs.

Documentation for approval of security transfer

Section 1309 requires FmHA to document in the borrowers' file any approvals for security transfer.

Notice of debt settlement programs

Section 1310 requires FmHA to include in the notice of loan servicing programs that is sent to the borrower once the borrower is 180 days delinquent a description of debt settlement programs.

Underwriting form and standards

Section 1311 allows FmHA to use underwriting forms and standards that conform to those used by commercial lenders. The Secretary will have to report to Congress the effect using ratios and standards for determining the degree of potential loan risk will have on current and future borrowers.

County committees

Section 1312 states that if FmHA appoints an eligible borrower to the county committee, that appointment will not exclude another eligible borrower from being elected. Under current law only one eligible borrower may be on the committee.

This section also requires the Secretary to provide training on an annual basis for county committee members for their job responsibilities. The Secretary is also required to develop a training manual.

Certification of loan eligibility

Section 1313 allows for the certification of an eligible borrower to remain current for two years instead of having to determine eligibility each time the borrower applies for a loan.

Limitation on community and business program application process

Section 1314 allows the Secretary to hold on to qualified community and business program applications until funding is available instead of requiring the Secretary to grant or deny the application within 60 days.

Appeals

Section 1315 requires the county committee or FmHA employee to act on cases overturned by the national appeals staff.

Disposition of suitable property

Section 1316 allows the county committee to randomly select from qualified borrowers the one to receive inventory property. This section also states that leaseback/buyback provisions apply to farm real estate and the principal residence only and that beginning farmers will be given preference when applying for the purchase of inventory property. It limits to 1 year the total amount of time that inventory is required to be held by FmHA until a suitable farmer/purchaser is found.

The transfer of Indian land in inventory to the Department of the Interior is allowed and the requirement that the property had to be in inventory prior to 1985 is removed.

A conservation easement amendment is provided that requires the continued viability of the farm unit after easements are placed on the property once it comes into inventory.

The purchase price of inventory property is set at the appraised fair market value. The current price is the capitalization value, or the market value whichever is less.

Definitions

Section 1317 defines the different types of loans made by FmHA. The Secretary is allowed to define in regulation the terms beginning farmer and rancher.

Extension of eligibility for conservation easements; assistance to borrowers

Section 1318 allows FmHA borrowers to consider placing a portion of their land in easements on their property in return for credit or debt forgiveness.

Interest rate reduction program

Section 1319 mandates an interest rate reduction program similar to current law, but increases the interest subsidy that the Secretary can pay to 4 percent.

Debt restructuring and loan servicing

Section 1320 requires the Secretary to write down or restructure a loan to the level necessary to leave the borrower with a 5 percent margin on debt service. However, it prohibits the Secretary from denying restructuring to a borrower unable to meet his/her debt obligatins with a 5 percent margin.

The deadlines currently in place for the amount of time a borrower has to apply for primary loan servicing from FmHA are extended as well as the deadline for FmHA to process the application for debt service from 60 to 90 days and for the borrowers repurchasing property through buyout from 45 to 90 days.

This section replaces the recapture agreement for buy outs with a shared appreciation agreement and reforms the shared appreciation calculation to be the difference between the net recovery buyout amount paid by the borrower and the fair market value at time of sale or transfer. It also stipulates that if the property is transferred to a spouse or child at the time of death or retirement, the shared appreciation agreement stays with the property but is not payable until a further sale or transfer takes place.

The new bad faith provisions only apply to those applications still pending.

This section requires the Secretary to report to Congress on the number of bad faith determinations and appeals of such determinations conducted or received by farmers home.

If a borrower has a current appraisal that is substantially different from FmHA's appraisal, FmHA and the borrower can mutually agree on a third appraiser and average the difference between the two closest appraisals.

The partial liquidation of guaranteed loans is allowed as long as the Secretary has made a prior approval of the partial liquidation.

Applications made following an overturned appeal and those submitted to begin the restructuring process are excluded from the new applicant definition.

Debt forgiveness is limited to $350,000 of principal and interest.

The number of write-downs per borrower is limited to one and the new calculation (using 105 percent of debt service margin) is applied to those borrowers whose loans have been written down prior to this legislation if they become delinquent and qualify for a write-down. This provision sets a level playing field for all borrowers whether their write-down was prior to or after the date of enactment.

A qualified borrower, experiencing a disaster in the current or previous year, is allowed to qualify for a further write- down.

The good faith requirement is applied to buy-outs.

Essential assets to be used in the net recovery buyout calculation are described.

Distribution of funds on Indian reservations

Section 1321 requires the Secretary to consider Indian reservations as a county.

Borrower training

Section 1322 requires the Secretary to provide borrower training in financial and farm management practices.

To be eligible for loans, borrowers must obtain management assistance unless the county committee waives the requirement. If the borrower is required to obtain additional management skills through training, above and beyond those required for the loan, the borrower may not be denied the loan solely on that basis.

This provision requires the Secretary to issue regulations establishing a curriculum for the borrower training program and requires that the borrower shall pay for any required training and allows for the use of operating loans for this purpose.

Loan assessments

Section 1323 requires the Secretary to complete loan assessments on all borrowers to determine the soundness of the loan and the credit and supervision of the borrower in order to achieve commercial credit worthiness.

Supervised credit

Section 1324 requires the training of FmHA employees in the areas of credit analysis, and financial and farm management.

Graduation of FmHA borrowers to private commercial credit

Section 1325 mandates graduation for operating loans following 10 years of a direct loan and 5 years of a guarantee. Applies this provision to new loans only.

Market placement

Section 1326 requires the Secretary to establish a market placement program to enhance a borrowers chances of graduating to commercial credit.

Sense of Congress

Section 1327 is a Sense of Congress that the Secretary should look at the application and review process in order to determine if streamlining could be done.

Sense of Congress

Section 1328 states the Sense of Congress regarding assistance to beginning farmers and ranchers and the transfer of farm property within families.

Farm Credit System

References to the Farm Credit Act of 1971

Section 1341 provides that references in subtitle B of the title are to the Farm Credit Act of 1971.

Financing for basic processing and marketing operations owned by bona fide producers

Section 1342 allows the farm credit system to lend to marketers and processors whose on-farm production makes up any portion of the through put of their operation.

Restoration of first lien on stock

Section 1343 fixes a problem in the Farm Credit Act of 1987 where a technical error was made and Production Credit Associations were not included in the provision giving the institutions a first lien on securities issued by the association.

Insurance services

Section 1344 eliminates the requirement that the system offer two carriers for each insurance program.

Management of Farm Credit System Insurance Corporation by Farm Credit Administration Board

Section 1345 states that the Board of the Farm Credit Administration will oversee the Farm Credit Insurance Corporation.

Clarification of contents of certified statements

Section 1346 requires system institutions to specifically identify guaranteed loans.

Termination date for Farm Credit System Assistance Board

Section 1347 removes the 5-day gap between the expiration of the Assistance Board and the start up of the Insurance Corporation.

Elimination of test for assistance

Section 1348 deletes the current test for assistance required by by the Assistance Board because it is tied to the cost of liquidation. With respect to associations, this provision will leave the decision to offer assistance up to the Insurance Corporation.

Employment of certain persons by farm credit institutions

Section 1349 applies restrictions on hiring persons convicted of certain criminal offenses to all associations.

Termination of system institution status of the California Livestock Production Credit Association

Section 1350 allows the California livestock PCA to leave the system with a reasonable amount of capital.

Secondary market for guaranteed farmer program loans

Section 1351 allows Farmer MAC to pool FmHA guaranteed loans.

Exclusion of Farm Credit Administration from senior executive service

Section 1352 puts the FCA on even footing with other Federal agencies by allowing it to adjust salaries commensurate with living expense differences between areas in the United States.

Miscellaneous

Economic emergency loan program

Section 1361 eliminates the Economic Emergency Loan Program.

Authorization of appropriations for farm ownership outreach program to socially disadvantaged individuals

Section 1362 addresses the concern of those involved in the socially disadvantaged outreach program that there is no authorization for the program.

State mediation programs

Section 1363 extends the mediation program through 1995.

Indian land acquisition program

Section 1364 expands current provisions under the Indian Land Acquisition Act.

Effective dates

Section 1371 sets effective dates for the debt restructuring, loan servicing, and debt-settlement notice provisions of this title. It also sets the effective date for section 1343 of this title as January 7, 1988.

TITLE XIV—RESEARCH

Short title

Section 1401 states that this subtitle may be cited as the National Agricultural Research, Extension, and Teaching Policy Act of 1990.

Subtitle A—Amendments to the National Agricultural Research, Extension and Teaching Policy Act of 1977

References

Section 1405 states that an amendment or repeal in this subtitle is an amendment to, or repeal of, a provision in the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (hereafter referred to as "the 1977 Act").

Findings

Section 1406 amends the 1977 Act by completely revising the findings section. Among other things, the revised findings reflect the Committee's concern for priority setting in agricultural re-

search, the globalization of agriculture, the need to increase opportunities in agricultural science and education, and the need for substantial new investment in our agricultural research, extension, and teaching system.

Definitions

Section 1407 amends the 1977 Act by adding the term "Technology Board" which means the Agricultural Science and Technology Review Board established under section 1407 of this subtitle.

Priorities for Agricultural Research and Extension System

Section 1408(a) amends the 1977 Act by adding a new section that states the primary and specific purposes for agricultural research and extension.

The primary purposes of Federal involvement in both basic and applied agricultural research and extension activities shall be to ensure that they maximize competitiveness and the social, environmental, human health and food security interests of the food production and agricultural system of the United States.

Subject to the varying conditions and needs of the States, six specific purposes of Federally funded agricultural research and extension programs are listed. All Federally funded projects shall, among other things:

(1) increase employment opportunities in agricultural and rural communities, strengthen the family farm system of agriculture, enhance the competitive position of small- and moderate-sized, owner-operated farms, contribute to a more equitable rural, social, and economic structure, while enhancing the social and economic viability and quality of life of rural communities;

(2) protect the environment and natural resources by reducing soil erosion, enhancing wildlife habitat and populations, protecting ground water and surface water from pollution from sediment, nutrients, synthetic chemicals, and other potential pollutants;

(3) enhance human health by fostering the availability and affordability of a safe, wholesome, healthful, and nutritious food supply that meets the needs and preferences of consumers, and by developing farming systems that do not have adverse impacts on health;

(4) enhance the resiliency and competitiveness of the food and farm system to ensure long-term food security and affordability;

(5) enhance the efficiency, profitability, and competitiveness of United States agriculture through the development of production systems that address constraints facing producers and that allow the producers, through more intensive application and use of management, skilled labor, and other means to reduce production costs; or

(6) enhance the efficiency, profitability, and competitiveness of United States agriculture through the development of more efficient processes, new uses for existing crops, or new and alternative crops as industrial raw materials.

To foster these purposes, the agricultural research and extension programs should encompass these areas:

(1) the development of farming systems that take greater advantage of natural processes and beneficial onfarm biological interactions so as to sustain and enhance the interactions for use in agronomic and livestock farm management;

(2) agroecology research aimed at developing an understanding of the ecology of agricultural ecosystems and the interaction among living organisms, environmental conditions, and farming practices;

(3) genetics research using both traditional approaches and biotechnology that result in crop varieties and livestock that enhance management options, farm productivity, use of onfarm inputs, and a diversity of products that can be marketed by the farm operator;

(4) research to develop farming systems appropriate to an era of climatological uncertainty, including development of more drought tolerant plants and farming systems that conserve moisture, and plants and livestock that are adaptable to shifts in climate;

(5) research to increase the demand for current farm products, and to develop new farm crops and enterprises, that are socially, economically, and environmentally advantageous and enhance agricultural diversity;

(6) research to enhance the profitability and productivity of soil conserving land uses and farming systems that rely on long-term perennial plant systems;

(7) research that develops rural development strategies and extension programs to disseminate those strategies;

(8) innovative extension and education programs that transfer new technology to the agricultural community and to small and moderate-sized family farmers, including potential beginning and minority farmers with limited resources, to enhance management capabilities and inform them of established and emerging farming system alternatives.

(9) extension programs that are adequately funded and staffed and substantially involve a broad range of interested individuals and groups to broaden input into research and extension priority setting;

(10) programs to strengthen the role of the Department of Agriculture in international agricultural research, extension, education and international development programs and related activities of the Department and cooperating State universities and land grant colleges, in cooperation with the Agency for International Development; and

(11) research in plant and animal genome mapping and coordination of a national effort to preserve and document the valuable plant, animal, and microbial germplasm in the genebanks within the United States.

Section 1408 (b) concerns the application of the purpose sections to agricultural research and extension projects. A new section is added to the 1977 Act to require regulations for Federally funded projects.

Not later than 18 months after the date of enactment, the Secretary shall promulgate regulations implementing agricultural research and extension projects administered by the Secretary. The comment period for promulgation of regulations shall be not less than 60 days.

If a proposed agricultural research or extension project is to be funded at a level of $10,000 or more by funds made available under Federal law, the proposal issued by the Secretary shall identify the purpose(s) that the project seeks to further and the effects of the project on the purposes stated in this section, the purposes underlying the law authorizing the project, or the annual and 5-year plan for research, teaching, and extension prepared by the Joint Council and the Advisory Board.

Joint Council on Food and Agricultural Sciences

Section 1409 amends the 1977 Act by changing the membership and requirements of the Joint Council on Food and Agricultural Sciences and extends the expiration date for the Joint Council to September 30, 1995.

The Joint Council shall meet at least once during each 3-month period. At least one meeting each year shall be a combined meeting with the Users Advisory Board. The meetings of the Joint Council shall be publicly announced and open to the public.

The Joint Council shall be composed of 19 members who represent the USDA and other Federal agencies, land grant universities, and other universities involved in agricultural research, extension, and teaching. The Assistant Secretary for Science and Education and a representative of the land grant colleges shall serve as co-chairmen of the Joint Council. One member of the Joint Council shall be elected annually to serve as liaison to the Users Advisory Board.

The Joint Council may establish technical panels as it considers necessary. Members of such panels shall include experts from the public and private sector.

The primary responsibility of the Joint Council shall be to bring about more effective research, extension, and teaching in the food and agricultural sciences in the U.S. by improving planning and coordination of publicly and privately supported food and agricultural science activities and by relating Federal budget development and management program management to such activities.

Several additional responsibilities are enumerated. The Joint Council is responsible for analyzing and evaluating the economic, environmental, and social impacts of research extension and teaching programs and for determining high priority agricultural research areas with particular attention being paid to the potential of such to advance the purposes expressed in section 1408.

The Joint Council is responsible for reviewing the effectiveness of the system and disseminating information concerning Federally supported research and extension projects. To the maximum extent possible, the Joint Council shall review private agricultural research and extension projects if such projects by the Federal government or the organizations sponsoring the projects agree to the inclusion of information about such projects.

The Joint Council shall provide an annual review and prioritize requests for agricultural related special research and construction grants; provide an annual review of the competitive grants made by the Secretary to determine priority research and grant categories and types that best advance the purposes expressed in section 1408; assist the Secretary through planning and coordination utilizing State and regional research, extension, and teaching organizations and recommending long-range goals; and review and make budget recommendations on the research, extension, and teaching budgets for the Department of Agriculture research and extension agencies.

The Joint Council is responsible for preparation of two annual reports to be submitted to the Secretary and the Congress. Not later than June 30, a report specifying the recommendations of the Joint Council on priorities for food and agricultural research, extension, and teaching programs; suggested areas of responsibility among Federal, state, and private organizations in carrying out such programs; and the levels of financial and other support needed to carry out such programs must be submitted. Not later than November 30 of each year, a report specifying ongoing research, extension, and teaching programs; accomplishments of such programs; and the levels of financial and other support needed to carry out such programs shall be submitted. Not later than November 30, 1990, a report outlining a 5-year plan for food and agricultural sciences that reflects the coordinated views of the research, extension, and teaching community shall be submitted, and updated every 2 years thereafter.

National Agricultural Research and Extension Users Advisory Board

Section 1410 amends the 1977 Act to alter the membership of the National Agricultural Research and Extension Users Advisory Board and to extend its existence until September 30, 1995.

The Users Advisory Board shall be composed of 21 members to be appointed by the Secretary to serve staggered terms. The members of the Users Advisory Board shall select a chairman and vice-chairman from their membership at the first meeting each year of the Board. One member of the Users Advisory Board shall be elected annually to serve as liaison to the Joint Council.

The Users Advisory Board shall meet a sufficient number of times each year to carry out its responsibilities. At least one meeting per year shall be a combined meeting with the Joint Council and with other representatives of Federal agencies that support agricultural research. The Secretary shall provide such support and staffing for the Users Advisory Board as is necessary. The Users Advisory Board may establish such panels as it considers appropriate.

The Users Advisory Board shall have general responsibility for preparing independent advisory opinions on the food and agricultural sciences. The Users Advisory Board shall have, among other things, specific responsibility for:

—reviewing and providing consultation to the Secretary on national policies, priorities and strategies for agricultural research, extension, and teaching;

—reviewing and assessing the extent of agricultural research, teaching, and extension being conducted by the private sector and the relationships and coordination of such activities with Federally supported programs;
—making recommendations to the Secretary, Federal agencies, and private organizations with regard to the distribution of resources and the allocation of funds authorized by this Act;
—and evaluating the results and the effectiveness of research and extension programs as to their influence on long-term goals of agriculture expressed in section 1408 and consumer needs.

Not later than July 1 of each year, the chairman of the Users Advisory Board shall provide an oral briefing to the Secretary, and a written report of recommendations to the appropriate Committees of Congress and the Secretary, concerning the allocation of responsibilities and levels of funding among Federally supported agricultural research and extension programs.

Not later than February 20 of each year, the Users Advisory Board shall submit a report containing, among other things, an appraisal of the proposed budget of the President for the food and agricultural sciences for the fiscal year beginning in such year to the President, the appropriate Committees of Congress, and the Joint Council.

Not later than February 1 of each year, the Secretary shall submit, to the appropriate Committees of Congress, a report that describes the manner in which the recommendations of the Users Advisory Board have been incorporated into the budget and programs of the Department of Agriculture.

Agricultural Science and Technology Review Board

Section 1411 amends the 1977 Act by adding a new section requiring the Secretary to establish and oversee, through the Joint Council, an Agricultural Science and Technology Review Board.

The Board shall be composed of 11 individuals who have expertise in technology assessment, environmental sciences, rural sociology, international agricultural issues, the social sciences, agricultural sciences, technology transfer, and education. The Secretary shall appoint members of the Board with a majority of the members from the private sector to serve staggered terms of 3 years. The Board shall select a chairman from its membership, who shall serve in that position for a term of 1 year. The Secretary shall provide such support for the Board as is necessary.

The Board shall provide technical interpretation and translation of current and emerging agricultural and environmental science issues for use by the Joint Council and the Users Advisory Board in setting priorities and conducting evaluations. The Board shall also provide technology assessment of current and emerging public and private agricultural research and technology transfer initiatives, including emerging technologies from public institutions that would influence agriculture, environment, nutrition, and the broad social, economic, and health consequences of research on urban and rural communities.

The Board may conduct an assessment of private sector agricultural research and technology transfer initiatives involving a pri-

vate sector entity only to the extent the entity is willing to cooperate in the assessment.

Not later than December 31 of each year, the Board shall prepare a report that contains a technology assessment of emerging public and private agricultural research initiatives and activities, including recommendations on how such research could be best directed to advance the goals and purposes set forth in section 1408 and an assessment of activities conducted by the Secretary, research components of public and private colleges and universities, and emerging private agricultural research initiatives. The Board shall submit the report to the appropriate Committees of Congress, to the Secretary and to other appropriate agencies and organizations.

Support for the Joint Council, Advisory Board and Technology Board

Section 1412 amends the 1977 Act to include the Technology Board established in Section 1411, along with the Joint Council and the Users Advisory Board, as an organization to receive support, including an executive secretary, from the Department.

General provisions

Section 1413 amends the 1977 Act by including references to the Technology Board.

Responsibilities of Secretary and the Department of Agriculture

Section 1414 gives the Secretary and the Department of Agriculture two additional responsibilities: (1) to establish a plant and animal genome mapping program to decipher the complete set of genetic instructions that guide the development of important food and forest species; and (2) to coordinate the activities of the Federal and State governments and the private sector in a national effort to preserve and document the valuable plant, animal, and microbial germplasm in the genebanks within the U.S.

Annual report of the Secretary

Section 1415 amends the 1977 Act by including the Technology Board in the Secretary's annual report.

General authorization of appropriations

Section 1416 amends the Act of 1977 by striking the current authorization levels and inserting in lieu thereof $730,000,000 for each of the fiscal years 1991–95 for the Agricultural Research Service and $310,000,000 for each of the fiscal years 1991–95 for the Cooperative State Research Service.

Authorization for appropriations for extension education

Section 1417 amends the 1977 Act by striking out the current authorization and inserting in lieu thereof $420,000,000 for each of the fiscal years 1991–95.

Grants and fellowships for food and agricultural sciences education

Section 1418 amends the 1977 Act to broaden the grants and fellowships for food and agricultural sciences education. The Secre-

tary is directed to promote and strengthen higher education in the food and agricultural sciences.

The Secretary may make competitive grants, or grants without regard to any requirement for competition, to land grant colleges and universities, and to colleges and universities with significant minority enrollments and other colleges and universities. The grants, not to exceed five years, are to:

—strengthen institutional capacities;
—respond to identified educational needs;
—attract and support undergraduate and graduate students;
—facilitate cooperative initiatives between two or more eligible institutions, or between eligible institutions and units of State government or organizations in the private sector;
—conduct undergraduate scholarship programs;
—and conduct graduate and postdoctoral fellowship programs.

The Secretary may set aside a portion of the funds appropriated for the awarding of grants and make such amounts available only to colleges and universities that the Secretary determines have unique capabilities for achieving the objective of full representation of minority groups in the food and agricultural sciences.

The Secretary may require that any grants awarded under this subsection be targeted to encourage agricultural research scientists and graduate students. The Secretary shall conduct programs to develop, analyze, and provide to colleges and universities data and information that are essential to the evaluation of the quality of teaching programs and to facilitate the design of more effective programs.

The Secretary shall conduct special programs with colleges and universities, and with organizations in the private sector, to support educational initiatives. The special programs shall include grants and technical assistance.

The Secretary shall establish a National Food and Agricultural Sciences Teaching Awards program to recognize and promote excellence in teaching at a college or university. In implementing the program the Secretary shall designate at least 6 regions of the U.S. in which awards will be made on an annual basis. Such awards may be in cash to nominees selected by the Secretary. The Secretary may transfer funds from amounts appropriated for the conduct of any agricultural research, extension, or teaching program to an account established pursuant to this section for the purpose of making the awards. The Secretary may accept gifts for the purpose of making the awards.

The Federal Advisory Committee Act and title II of the Food and Agriculture Act of 1977 shall not apply to a panel or board created for the purpose of reviewing applications, proposals, or nominations for awards submitted under this section.

There are authorized to be appropriated to carrying out this section $70,000,000 for each of the fiscal years 1991–95, of which $10,000,000 shall be used for the national needs graduate fellowship program.

National Agricultural Library

Section 1419 amends the 1977 Act by adding a new section establishing the National Agricultural Library. The Congress finds that

the Library has grown over the years to become a national library serving as the leading agricultural information resource in the U.S. The purpose of this section is to consolidate and expand the statutory authority for the operation of the Library.

The Library is established and shall be headed by a Director who shall be appointed by and subject to the direction of the Secretary. Several activities of the Director are listed. Library products and services may be sold and at prices not less than the estimated total cost of disseminating the products and services. The money received from such sales shall be deposited in the Treasury to the credit of the applicable appropriation and shall remain available until expended.

The Director may enter into an agreement with, and receive funds from any State, and other political subdivision, organization, business, or individual. Funds received under this section for payments for library products and services or other activities shall be deposited to the miscellaneous contributed funds account, and shall remain available until expended.

There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this section. Several conforming amendments are included.

Rangeland research

Section 1420 amends the 1977 Act by extending the Rangeland Research Advisory Board and the authorization for funding for the Board until 1995.

The Animal Health and Disease research programs are extended to 1995. The responsibilities of the Advisory Board are amended to include review of the conduct of animal health and disease programs under any authority of the Secretary.

Animal health and disease research

Section 1421 extends the authorization of the Animal Health Science Research Advisory Board; the Continuing Animal Health and Disease Research Program; and Research on National or Regional Problems Program. This section also amends the Research on National or Regional Problems Program to include the Agricultural Science and Technology Review Board in lieu of the Animal Health Advisory Board as one of the groups setting priorities for the administration of funds under this section.

Aquaculture

Section 1422 amends the 1977 Act by extending the aquaculture program authorization to 1995 and by including a new requirement that the Secretary implement a fish disease program to include the development of new diagnostic procedures for fish diseases, the determination of the effect of water environment on the development of the fish immune system, and the development of therapeutic, synthetic, or natural systems for the control of fish diseases.

International agricultural science, education, and development

Section 1423 amends the Act of 1977 to include several additional requirements for USDA in the area of international agricultural science, education, and development, including expanding the oper-

ational coordination of USDA with institutions and other persons throughout the world performing agricultural and related research and extension activities and entering into cooperative arrangements with Departments and Ministries of Agriculture in other nations to conduct activities in support of the development of a viable and sustainable global agricultural system, including efforts to establish a global system for plant genetic resources conservation.

USDA is authorized to enter into agreements with land grant universities, AID, and international organizations, institutions or individuals with similar goals, to promote and support the development of a viable and sustainable global agricultural system.

The Secretary shall, among other things, further develop highly qualified and experienced scientists and experts who specialize in international programs; work with transitional and more advanced countries; expand collaboration and coordination with AID; and establish, in cooperation with the Secretary of State, a program to be coordinated through the International Arid Land Consortium, to enhance collaboration and cooperation between institutions concerned with arid lands.

1890 institutions

Section 1424 amends section 1404(16)(F) of the Act (7 U.S.C. 3103(16)(F)) is amended by inserting "G," after "subtitle E,".

Grants to 1890 facilities

Section 1425 amends the Food Security Act of 1985 by extending the 1980 facilities construction authorization to 1992.

Research facilities

Section 1426 amends the Act of 1977 to extend and increase the authorization for facility construction at State agricultural experiment stations by striking out "20,000,000" and all that follows through "1990" and inserting in lieu thereof "$50,000,000 for each of the fiscal years 1990 through 1995".

SUBTITLE B—GROUND WATER POLICY RESEARCH AND EDUCATION

Short title

Section 1431 states that this subtitle may be cited as the "Agriculture and Ground Water Policy Research and Education Coordination Act".

Definitions

Section 1432 provides several definitions including the following: "Agricultural ground water management practices" mean a system of agricultural production that includes the efficient use of fertilizers and agricultural chemicals; techniques for determining appropriate application rates for fertilizers and agricultural chemicals; timing and placement methods for agricultural chemicals; appropriate use of cropping sequences and crop rotations; and the application of conservation practices, such as ridge planting, strip tillage, strip cropping, irrigation water management, slow-release fertilizers, water testing, soil and tissue testing, and vegetative buffer crops.

"Agricultural nitrogen" means nitrogen in all forms that may be present or available for crop production.

"Contaminant" means any matter that, in its original form or as a metabolite, degradation, or waste product, as a constituent of ground water may impair the quality of ground water or have an adverse effect on human health or the environment.

"Ground water" includes all water in the soil from the soil surface through the root zone and the vadose zone through the zone of saturation.

Chapter 1—Ground Water Policy

Policy with respect to agrichemicals

Section 1435 establishes USDA as the principal Federal agency responsible and accountable for the development and delivery of educational programs, technical assistance, and research results concerning the use of agrichemicals for the users of agrichemicals and consumers.

The Secretary shall provide for the dissemination of information concerning the results of activities conducted under this section.

Office of Ground Water Policy Coordination

Section 1436 requires the Secretary to establish, within USDA, an office to be known as the "Office of Ground Water Policy Coordination".

The Secretary is required to appoint a Director of the Office within 60 days after enactment. The Director shall be responsible for coordinating and monitoring all policies and programs of USDA that are related to ground water quality.

The Director shall appoint a staff of no more than four technical experts and other such staff as needed. The Director may request that additional staff from other agencies be assigned to the Office on a reimbursable basis.

Duties

Section 1437 requires the Secretary, acting through the Director, to serve as the coordinator for the development of a departmental agency-specific ground water policy statement and implementation plan; a national agricultural ground water plan; and an annual agricultural ground water activities report.

The Director shall coordinate the planning processes of the Secretary concerning ground water activities and shall coordinate the ground water policies of the Federal departments and agencies. Specifically, the Director is required to, among other things, submit recommendations concerning specific ground water protection programs; advise the Secretary concerning the development and implementation of ground water policies; provide training for State ground water quality coordinators; coordinate the data, information, programs, and legislative initiatives of the Secretary concerning ground water; aid in the development and implementation of an annual agriculture and ground water quality workshop that shall include the State ground water coordinators; and accelerate the efforts of the Federal government in performing or assisting in the performance of research, investigations, studies, and surveys

concerning the potential adverse impacts on water quality that could result from agricultural activities.

Committee on ground water quality

Section 1438 requires the Secretary to establish, within USDA, an interagency committee on ground water quality. The committee shall provide advice to the Director concerning the ground water policies and activities.

The committee shall be composed of the Director, a producer and 10 administrators or chiefs within USDA. The Deputy Secretary of Agriculture shall serve as the chairman of the committee which shall meet at least once every 4 months.

Technical support committees

Section 1439 requires the Director to establish such technical advisory committees and interagency technical support committees as he determines necessary. The Director shall use technical integration groups to coordinate the research agendas and priorities of the Secretary and other Federal agencies. The Federal Advisory Committee Act shall not apply.

Development and implementation of a ground water policy

Section 1440 requires the Director to prepare an assessment of programs administered by USDA relating to ground water. The assessments shall be used by the Director to aid in the preparation of national agricultural ground water plans. In preparing the assessment the Director may incorporate documents and planning processes used by the Secretary to comply with requests made by OMB for information.

The assessment shall, among other things, include a description of the information available concerning soil characteristics and other factors that impact on ground water and a detailed description concerning the roles of the divisions within USDA relating to ground water and recommendations for the elimination of any undesirable duplication of effort.

Several entities are required to submit to the Director a statement of the ground water policy and related ground water implementation plan of such entity. Such statement and plan shall be developed in accordance with the "USDA Policy for Ground Water Quality", or any successor document and submitted to the Director for approval. If the Director disapproves of such statement or plan, a new statement or plan shall be submitted.

Each plan shall be considered for incorporation by the Director into the National Agricultural Ground Water Plan. Several entities are required to notify the Director of all programs to be undertaken by such entities that may have an impact on ground water.

At least once during each 5-year period the Director shall develop and implement a coordinated intra-agency National Agricultural Ground Water Plan which shall, among other things, address the voluntary adoption of sound uses of agrichemicals, land use practices, and other activities that affect the quality of ground water and which shall be supported by an annual integrated, intra-agency budget. The Plan shall include a list of all major policy issues relating to agricultural impacts on ground water that are

likely to be pending before the Secretary within the 5-year period, and the types of scientific information needed to address such issues.

Prior to developing each Plan, the Director shall prepare, using reports and findings obtained from Department sources and the States, an extensive planning report containing an assessment of the adequacy of existing programs to protect ground water resources. A preliminary draft of the planning report shall be prepared and made available for public comment. Not later than 1 year after the date of enactment, the Director shall submit the final planning report to appropriate committees in the Congress and State and Federal agencies, and shall make the final planning report available to the public. The planning report shall be updated at least once every 5 years.

The Director shall submit to the appropriate Committees of Congress and State and Federal agencies an annual report concerning the progress that has been made during the report period toward the goals established in the national agricultural ground water plan. Such report shall include an integrated, intra-agency budget that shall constitute the basis on which requests for appropriations are made to carry out activities related to ground water for the succeeding fiscal year.

Authorization of appropriations

Section 1441 authorizes to be appropriated $1,000,000 in each fiscal year, and such additional sums that may be necessary in each such fiscal year, to carry out the provisions of this chapter.

Chapter 2—Coordination With State Programs

State ground water coordination committees

Section 1442 requires the Secretary to establish State intra-agency Ground Water Coordination Committees within the Food and Agricultural Councils of such States. Such committees shall coordinate the ground water programs and activities of the Secretary with agencies of that State.

A committee shall be composed of the State Ground Water Policy Coordinator; representatives of several Federal entities if the entities are operating within the State; and if approved by the committee, ad hoc members representing agencies in the State that administer water programs. Certain members of the committee shall elect a chairman of the committee. The organization and conduct of committee meetings shall be supported by the State Ground Water Quality Coordinator.

The chairman of the committee and the Ground Water Quality Coordinator for the State may establish ad hoc advisory panels to provide advice to the committee.

The committee shall prepare and submit, to the Director, an annual report concerning the accomplishments of the committee.

State ground water quality coordinator

Section 1443 requires the Administrator of the Extension Service to appoint within each State Extension Service a Ground Water Quality Coordinator to be responsible to the State Extension Direc-

tor. The Ground Water Quality Coordinator for a State shall be located at a land grant college or university.

The Administrator of the Extension Service shall cooperate with the Director in developing the qualifications and job description of the Ground Water Quality Coordinators and consult with the Director to ensure that adequate mechanisms are employed to provide national coordination of the respective State ground water programs, and to ensure that the national programs and initiatives of the Secretary are integrated and coordinated with the ground water programs of State agencies in each State.

The Ground Water Quality Coordinator shall, among other things, form a State Ground Water Coordination Committee and serve as the focal point within the State for the coordination of agricultural ground water programs administered or supported by the Secretary with the ground water programs conducted by other Federal agencies within the State.

Review of state nonpoint source pollution plans

Section 1444 requires that within each State, the Ground Water Coordination Committee and the Ground Water Quality Coordinator, in consultation with appropriate agencies and groups, must review the ground water plan concerning nonpoint source pollution submitted by the State under the Federal Water Pollution Control Act. The Director shall consider this information in the development of the National Agricultural Ground Water Plan.

Review of management practices under rural clean water program

Section 1445 requires that in States that had water quality protection projects developed pursuant to section 208(j) of the Federal Water Pollution Control Act, the Ground Water Coordination Committee and the Ground Water Quality Coordinator must consult with appropriate Federal and State agencies and other appropriate persons and groups to review the relevance of such projects to ground water protection programs.

Review of mapping of hydrologic units

Section 1446 requires that within each State, the Ground Water Coordination Committee and the Water Quality Coordinator, in consultation with various agencies and organizations, must assess the identification and mapping of hydrologic units within the State.

In performing the assessment the Ground Water Coordination Committee and coordinator shall evaluate, among other things, the efforts and costs necessary to develop, integrate, and complete the identification and mapping of hydrogeologic units, and agronomic and soils data, in order to develop the basic framework for research and management decisions to protect ground water.

Assessment of State programs and needs

Section 1447 requires that within each State, the Ground Water Coordination Committee and the Ground Water Quality Coordinator in consultation with various agencies and organizations must assess the adequacy of the programs of the State for addressing agricultural sources of ground water contamination.

The assessment shall, among other things, include an identification of those areas in which the ground water management efforts of the State are inadequate and the development of an intra-agency plan and timetable to improve areas of need or inadequacy identified.

Authorization of appropriations

Section 1448 authorizes to be appropriated $10,000,000 for each fiscal year to enable the Secretary to provide for the creation of positions of State Ground Water Quality Coordinators and $1,000,000 to enable the Secretary to employ staff and purchase resources to complete the reviews and studies required under this chapter.

Chapter 3—Extension and Education

Chemical education—Establishment of a National Chemical Education Program

Section 1451 requires the Secretary, in concurrence with the Administrator of the EPA, to establish within the Extension Service the National Chemical Education Program to provide information to improve the safety of pesticide and fertilizer use, except that pesticides that have been classified as restricted use pesticides shall not be included in the Program.

The Secretary shall, among other things, develop guidelines and provide information to the users and dealers of pesticides and fertilizers and act as the national coordinator to provide training to all applicators and dealers of general use pesticides and fertilizers.

Objectives concerning fertilizer use

Section 1452 establishes the objective of the Program to provide for the voluntary adoption of nutrient management practices and agricultural ground water management practices that minimize or mitigate the effect of agriculture on ground water quality. Several ground water management practices are listed. The Program shall target any individual or entity that uses or consults in the use of fertilizers, manures, or other applied nutrients.

Soil and tissue testing

Section 1453 requires that the Secretary strengthen programs in existence and implement additional programs necessary, directed toward agricultural producers and suppliers of agricultural nitrogen and other plant nutrients to ensure that users and dealers understand all aspects of soil and tissue testing and the implications of their actions on ground water quality.

HOUSEHOLD CHEMICALS, PESTICIDES, AND FERTILIZERS

Establishment of program

Section 1454 requires the Secretary to establish within the Extension Service a National Education Program for the Management of Household Chemicals, Pesticides, and Fertilizers to, among other things, provide information concerning the potential for common household chemicals, fertilizers, and pesticides to contami-

nate water resources, and information on the utilization of safe methods of disposal.

NATIONAL WATER QUALITY MANAGEMENT EDUCATION PROGRAMS

Establishment

Section 1455 requires the Secretary to establish, within the Extension Service, a National Education Program for the Management of Water Resources to conduct educational activities concerning water quality education.

Staff training activities

Section 1456 requires the Secretary, acting through the Extension Service and the Office of Ground Water Policy Coordination, to conduct a national training project for the training of Ground Water Quality Coordinators, including an orientation workshop.

The Secretary, acting through the Extension Service and the Office of Ground Water Policy Coordination, shall establish a national training project concerning ground water protection, to be implemented in the States.

Well water testing

Section 1457 requires the Secretary to establish, within the Extension Service, a national well water testing project that provides individuals who are dependent on private and public wells as a source of their drinking water with, among other things, information on well testing sources and uses.

AUTHORIZATION OF APPROPRIATIONS

Authorization of appropriations

Section 1458 authorizes $56,000,000 to be used in each fiscal year to be allocated as necessary to carry out the programs established under subchapters A, B, and C.

Chapter 4—Soil Conservation Service

Purpose of Soil Conservation Service

Section 1459 amends The Soil Conservation and Domestic Allotment Act by expanding its purpose to include protecting and improving the quality of ground water.

Ground water activities

Section 1460 requires the Chief of the Soil Conservation Service, in consultation with the administrators of the State Agriculture Experiment Stations and the Cooperative Extension Service, to, among other things, review existing conservation plans to create a database concerning the agricultural groundwater management practices that have already been included in such plans by January 1, 2000.

The Chief of Soil Conservation Service shall develop management practice guidelines to protect ground water. Not later than 1 year after the date of enactment, the initial set of management practice guidelines shall be incorporated into the technical field guides published by the Soil and Conservation Service.

Not later than 6 months after the date of enactment of this Act, the Secretary shall determine whether the national resources inventory established under title XII of the Food Security Act of 1985 can be modified to acquire useful information concerning ground water conditions, and surface conditions that affect ground water quality and supply.

Report to Congress

Section 1461 requires the Secretary to submit, not later than 90 days after the date on which Congress convenes in 1994, and once during every 5-year period thereafter, to the appropriate Committees of Congress, a report concerning the activities undertaken by Extension Service, Soil Conservation Service, and conservation districts relating to certain programs established in this subtitle.

Authorization of appropriations

Section 1462 authorizes to be appropriated such sums as may be necessary to carry out this chapter.

Chapter 5—Research of the Department of Agriculture

Findings

Section 1463 is a statement of findings. Among other things, Congress finds that: much work is required to develop a better understanding of the movement of agricultural chemicals and nutrients through the soil, to develop more cost-effective monitoring and detection tools, and to develop agricultural management systems to protect ground water resources; it is imperative that the research community develop some system for prioritizing research; ground water management plans and programs require the development of management systems that are site-specific, and take into account the physical, personnel, and economic resources of the producers; and research agendas need to be integrated and coordinated.

Research topics

Section 1464 requires the Secretary, acting through appropriate agencies, to conduct research, investigations, studies, and surveys with respect to several topics that include, among other things:

—Methods of measuring, sampling, and characterizing the movement of agricultural chemicals and nutrients;
—Development of analytical models and testing methodologies;
—The effectiveness of water management and tillage practices;
—The effect of various water management and agricultural production systems;
—The review of new chemical products;
—Development of technologies to facilitate the safe disposal or recycling of containers;
—The movement and management of nitrogen and other nutrients;
—and the development of animal waste management techniques.

Prioritizing

Section 1465 requires the Ground Water Quality Coordinator, in conjunction with the Ground Water Coordination Committee for

each State, to request the assistance of appropriate scientists in order to establish a prioritized agriculture and ground water research agenda for the State. Such research agenda shall address the research topics identified and the concerns or findings identified in various sections of this subtitle and shall be incorporated in the State programs and needs assessment.

The research priorities of a State identified under the agenda shall be compiled and reviewed by the appropriate water quality committees of the respective regional divisions of the Cooperative State Research Service. The committees shall meet with the appropriate Ground Water Quality Coordinators and several other indicated representatives.

The Director shall utilize the information contained in the research agenda in the establishment of a National Agricultural Ground Water Plan; in the development of funding priorities; and in requests for Cooperative State Research Service project and activity proposals under this title.

Water quality database and evaluation

Section 1466 requires the Director to cooperate with the Geological Service, EPA, and with State and local governments to monitor and conduct evaluations of the effectiveness of water quality activities.

Authorization of appropriations

Section 1467 provides authorization for funding. Of the amounts authorized to be appropriated under section 1463 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 for fiscal year 1991, the Secretary shall make available to the Agricultural Research Service not less than $15,000,000, and to the Cooperative State Research Service not less than $15,000,000 for the development of agricultural and ground water research programs authorized under this chapter. There are auth rized to appropriated $5,000,000 for fiscal year 1991 to be made available to the Economic Research Service to carry out activities under this chapter.

Of the amounts authorized to be appropriated under section 1463 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 for each of the fiscal year 1992 through 1995, the Secretary shall make available to the Agricultural Research Service not less than $20,000,000, and to the Cooperative State Research Service not less than $20,000,000, in each such fiscal year for the development of agricultural and ground water research programs authorized under this chapter. There are authorized to be appropriated $7,500,000 for each of the fiscal year 1992 through 1995, to be made available to the Economic Research Service to carry out activities under this chapter.

Chapter 6—National Agriculture and Ground Water Clearinghouse

Repository of agriculture and ground water quality planning information

Section 1468 requires the Administrator of the National Agricultural Library to establish a repository for all reports prepared and submitted, in accordance with this subtitle and shall, among other

things, compile other planning documents concerning agriculture and ground water protection; compile and catalog all Federal statutes relevant to the protection of ground water from agricultural production; and identify, list, and provide information concerning access to data bases and informational sources relating to ground water and agricultural production.

Data base on State plans and programs

Section 1469 requires the Director of the National Agricultural Library to establish at such Library an interactive data base on State programs. The Director of the Library shall develop a standardized format for the entry and description of State programs and activities relating to ground water, and the results of such programs and activities. Information acquired under this subsection shall be categorized so as to make it possible for interested parties in a State to search and locate information regarding ground water protection programs in other States.

Authorization of appropriations

Section 1470 authorizes to be appropriated $1,000,000 for fiscal year 1991 and $400,000 in each subsequent fiscal year, to establish the repositories, data bases, and related activities required under this chapter.

SUBTITLE C—NATIONAL COMPETITIVE RESEARCH INITIATIVE

National competitive research initiative

Section 1471 allows for expansion of the competitive grants program.

The term "high priority research" means basic and applied research that focuses on both national and regional research needs in six broad areas: plant systems; animal systems, nutrition, food quality, and health; natural resources and the environment; engineering, products, and processes; and markets, trade, and policy.

In addition to making research grants, the Secretary may conduct a program to improve research capabilities and award the following categories of competitive grants:

—To a single investigator or coinvestigators within the same discipline;

—To teams of researchers from different areas of agricultural research and scientific disciplines;

—To multidisciplinary teams; to an institution to allow for the improvement of the research, development, technology transfer, and education capacity of the institution;

—To researchers who are beginning their research careers;

—To the faculty of small and mid-sized institutions who have not previously been successful in obtaining competitive grants.

The Secretary shall use not less than 25 percent, and not more than 40 percent, of the funds made available for grants to provide fellowships to outstanding pre- and post-doctoral students for research in the agricultural sciences.

All proposals shall undergo review by a panel of experts who have demonstrated scientific expertise in the scientific category in which the proposal was submitted. The scientific peer review

panels shall evaluate the scientific and technical merit of grant proposals and make budget recommendations to the Secretary.

A second level of review shall be conducted by an advisory review panel. The primary function of the advisory review panel shall be to evaluate the proposal on the basis of meeting the broad priorities established in section 1408 and the priorities established by the Joint Council and the Users Advisory Board, and to assure that the total research program is of high scientific quality and that it addresses opportunities presented by new scientific developments.

The advisory review panel shall make recommendations to the Secretary, but the advisory panel shall make no final funding decisions. The advisory review panel shall include the Administrator of the competitive grant office and an equal number of personnel who have expertise in the agricultural sciences, and members of the general public who are leaders in fields of public policy, social sciences, and technology assessment.

All requests for proposals from USDA submitted for competitive grants shall contain an evaluation that addresses the potential benefits of the research in meeting the goals and priorities set forth in section 1408 and the priorities established by the Joint Council and Users Advisory Board.

Grants may not be used for the planning, repair, rehabilitation, acquisition, or construction of a building or facility. Such grant funds may be used to pay one half of the cost of purchase and installation of fixed equipment and one half of the cost of minor alterations, renovations, or repairs.

There are authorized to be appropriated to carry out this subsection $150,000,000 for fiscal year 1991, $275,000,000 for fiscal year 1992, $350,000,000 for fiscal year 1993, and $400,000,000 for each of the fiscal years 1994 and 1995, of which each fiscal year with a certain distribution: not less than 30 percent to multidisciplinary research, not less than 10 percent for strengthening grants, and not more than 4 percent for administrative costs.

SUBTITLE D—SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION

Short title

Section 1475 states that this subtitle may be cited as the "Sustainable Agriculture Research and Education Act of 1990".

Amendment to Food Security Act of 1985

Section 1476 amends Subtitle C of title XIV of the Food Security Act of 1985 to significantly expand the "Low Input Sustainable Agriculture" (LISA) program.

Chapter 1—Low-Input Sustainable Agriculture Research and Education Program

Among other things, Congress finds that:

—the U.S. must focus its research and education efforts on the development of sustainable methods of farming;

—many farmers and ranchers are highly dependent on nonrenewable production inputs and natural resources;

—farmers and ranchers want to participate directly in research and extension efforts;

—and expanded research and extension efforts are needed to reduce the use of nonrenewable production inputs and to explore alternatives that lead to low-input livestock production.

It is the purpose of this chapter to encourage research to increase our knowledge of production systems that maintain and enhance the quality and productivity of the soil; conserve soil, water, energy, and natural resources; improve fish and wildlife habitat conditions; prevent contamination of water; protect the health and safety of people; promote animal well-being; and maintain or increase the number of economically viable self-employment opportunities in agriculture.

Several terms are defined. Of particular interest is the definition of sustainable agriculture which means a variety of farming systems, ranging from organic systems that use no synthetic chemical inputs to those involving the prudent use of agricultural chemicals and that result in:

(A) the thorough incorporation of natural processes such as nutrient cycles, nitrogen fixation, and pest-predator relationships into the agricultural production process;

(B) the reduction in the use of inputs with potential to harm significantly the environment or the health of farmer and consumer;

(C) the greater productive use of the biological and genetic potential of plant and animal species;

(D) the improvement of the match between cropping patterns and the productive potential and physical limitations of agricultural lands to ensure the long-term sustainability of current production levels; and

(E) the profitable and efficient agricultural production, with emphasis on improved farm management and conservation of soil, water, energy, and biological resources.

The Secretary shall conduct research and extension projects to obtain data, develop conclusions, demonstrate technologies, and conduct educational programs that promote the purposes of this chapter. These will include, among other things, projects that facilitate and increase scientific investigation and education in order to reduce, to the extent feasible and practicable, the use of toxic chemical pesticides, fertilizers, and natural materials, improve low-input farm management to enhance agricultural productivity, profitability, and competitiveness, and take advantage of the experience and expertise of farmers and ranchers through their direct participation and leadership in projects.

The Secretary shall select sustainable agriculture research and extension projects on the basis of the recommendations of the National Sustainable Agriculture Advisory Council, the appropriateness of the design of the project and additional criteria described in this section. The Secretary shall give priority to projects that indicate the manner in which the findings of the project will be made readily usable by farmers and, among other things, maximize the involvement and cooperation of farmers. The Secretary shall conduct projects and studies under this section in areas that are broad-

ly representative of the diversity of U.S. production and which may involve on-farm research and demonstration.

The Secretary may approve study projects concerning the implications of the adoption of sustainable agricultural practices and systems and shall ensure that research projects are open for public observation. The Secretary may indemnify the operator of a project for damage incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under such project.

The Secretary shall administer this program through the Cooperative State Research Service in close cooperation with the Extension Service; establish a minimum of four Regional Administrative Councils; and identify regional host institutions.

The Secretary shall establish a National Sustainable Agriculture Advisory Council that shall be composed of representatives of several Federal and State entities, private nonprofit organizations, farmers, and others. The Council shall, among other things make recommendations for funding and submit an annual report concerning its activities to the Secretary.

The Secretary shall establish four Regional Administrative Councils that shall be composed of representatives of Federal and State entities, nonprofit organizations, farmers, and others. The Councils shall, among other things, make recommendations to the National Sustainable Agriculture Advisory Council concerning projects to receive funding, establish goals and criteria for the selection of projects within the applicable region, and appoint a technical committee to evaluate the proposals for projects to be considered under this chapter by such council.

Members of the Council and Committees shall recuse themselves from activities concerning certain proposed projects to avoid conflict of interest problems.

The Secretary shall establish a Federal-State matching grant program to make grants to States to encourage and assist in the creation or enhancement of State sustainable agriculture research, extension, and higher and continuing education programs. Grants to States shall not exceed 50 percent of the cost of the proposed project and shall not exceed a period of 5 years.

States that elect to apply for a grant shall submit, to the appropriate Regional Administrative Council, a State plan and schedule for the approval of such Council and the Secretary. State plans shall provide details of the proposed program and shall identify the sources of matching State funds. To be eligible for approval, State plans shall ensure that there will be extensive and direct participation of farmers.

The Secretary shall develop technical guides for low-input agricultural production system guides not later than 2 years after the date of enactment, after full public notice and comment, and in consultation with the National Sustainable Advisory Council.

The Secretary shall coordinate the ongoing technical guide work of the Soil Conservation Service and the Extension Service to avoid duplication of effort and to provide farmers and other agriculture professionals with a comprehensive technical guide that addresses a broad array of technical concerns.

The Secretary shall survey existing data bases containing information on sustainable agricultural systems to aid in the develop-

ment of technical guides. The Secretary, in consultation with the National Sustainable Agriculture Advisory Council, may establish a grant program to assist in the development and periodic revision of technical guides under this section.

Reports

Not later than April 1, 1991, and each April 1 thereafter, the Secretary shall prepare and submit, to the appropriate Committees of Congress and the National Sustainable Agriculture Advisory Council a report describing the results of the programs carried out under this chapter.

Authorization of appropriations

There are authorized to be appropriated $40,000,000 for each fiscal year to carry out this chapter. Of any amount that is appropriated to carry out the programs established under this chapter, not less than $15,000,000, or not less than two thirds of any such appropriation, whichever is greater, shall be used to fund the LISA research and extension program.

Chapter 2—National Training Program In Sustainable Agriculture

Congress finds that there is a great need for research-based practical knowledge to assist people in adopting sustainable agriculture practices. It is the purpose of this chapter to establish a training program in sustainable agriculture for Extension Service agents and others to facilitate the extension of knowledge of sustainable agriculture.

Several terms are defined, including sustainable agriculture, which means an agricultural system that is economically viable and agronomically and environmentally sound over short and long term periods. It is the intent of the committee that this definition will be used as the guide for the training centers program.

The Secretary shall establish a National Training Program in Sustainable Agriculture to provide education and training for Extension Agents and other professionals involved in agricultural education. The training program shall be organized and administered by the Extension Service in cooperation with the Centers and shall include on-site education at the Centers as well as education at other locations including land-grant universities, experiment stations, and demonstration farms.

The Secretary shall designate not less than two National Training Centers to coordinate and administer educational activities in sustainable agriculture. The Centers shall offer intensive instructional programs involving classroom and field training work for extension specialists and other individuals who are required to transmit technical information. The Centers shall be located at existing facilities and should be administered by organizations that, among other things, have demonstrated capability in sustainable agriculture research and education.

The Secretary shall establish a competitive grants program to award grants to organizations to carry out sustainable agricultural training for county agents and other individuals who need basic in-

formation concerning sustainable agriculture practices and that consists of workshops and short courses.

The Secretary shall ensure that all agricultural agents of the Extension Service are provided with training in all aspects of sustainable agriculture not later than the end of the 5-year period beginning on the date of enactment. Beginning 3 years after the date of enactment all new agricultural Extension Service agents must be able to demonstrate, within 18 months, a thorough knowledge of all aspects of sustainable agriculture and integrated crop management.

Each State within 3 years after enactment, shall have an integrated crop management specialist, to operate out of the land grant universities in such State, to assist agricultural producers. Not later than September 30, 1993, and again by September 30, 1995, the Secretary shall prepare and submit, to the appropriate Committees of Congress, a report concerning the training provided under this section.

The Secretary shall use amounts made available under the Smith-Lever Act to carry out the training program. $10,000,000 is authorized for each fiscal year to carry out the training program as well.

Chapter 3—Extension Service Pesticide Application Advice

Congress finds that Extension Service agents should be allowed to provide information to farmers concerning lower, more cost efficient rates of pesticide application than that specified on the label of the pesticide.

Extension Service agents are authorized to advise farmers to apply any pesticide at a dosage, concentration, or frequency that is less than that specified on the label for such pesticide if the Extension Service agent has research findings to indicate that use of the pesticide at the lower dosage, concentration, or frequency would be efficacious.

Extension Service agents may include advice to farmers concerning such lower usage of specific pesticides in publications issued by the Extension Service if such publication also states the rates of application specified on the label of such pesticide and such publication discusses the efficacy of the pesticide when applied at such lower rate.

Chapter 4—Biotechnology Risk Assessment Research

Congress finds that:

—rapid advances in the application of biotechnology to agriculture have and will continue to result in the development of products whose research, evaluation, and commercial use require introduction into the environment;

—and more scientific information about the effects of the introduction of genetically engineered organisms into the environment, and the development of methods to contain and monitor such introduction are needed.

It is the purpose of this chapter to authorize and support environmental assessment research to help address general concerns about the environmental effects of biotechnology.

Several terms are defined including environmental assessment research which means research aimed at understanding the potential impacts on agricultural ecosystems, natural ecosystems, and human health of genetically engineered organisms introduced into the environment.

The Secretary shall establish a grant program within the Cooperative State Research Service and the Agricultural Research Service to provide assistance necessary for environmental assessment research. Areas of research shall include, among other things, the development of methods to physically and biologically contain genetically engineered organisms, the development of methods to monitor the dispersal of genetically engineered organisms, and research designed to further existing knowledge with respect to the rates and methods of gene transfer that may occur between genetically engineered organisms and related wild and agricultural organisms.

The Secretary shall consult with the Administrator of the Animal and Plant Health Inspection Service, any existing Office of Agricultural Biotechnology, and any existing Agricultural Biotechnology Research Advisory Committee regarding any specific areas of research considered for assistance under this section. The Secretary shall coordinate research authorized under this chapter with the Office of Research and Development of the Environmental Protection Agency to avoid duplication of research activities.

Grants will be made on the basis of the quality of the research project and will not be restricted to land grant colleges and colleges of agriculture. There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this chapter.

Conforming amendment

Section 1477 amends the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) to allow a user to deviate from pesticides application rates specified on the label.

SUBTITLE E—MISCELLANEOUS PROVISIONS

Protection of pets

Section 1481 states that this section may be cited as the "Pet Theft Act of 1990". The Animal Welfare Act is amended by adding a new section to protect pets from theft and to encourage their adoption.

It shall be unlawful for any class B dealer to obtain dogs and cats for research purposes from a source other than a State, county, or city operated pound or shelter, a private entity that cares for animals and releases them on a voluntary basis, a research facility licensed by USDA, an individual who has bred and raised such dogs and cats on their own premises, or other class B dealers.

Nothing in this section shall be construed to either require or to prohibit the mandatory release of animals from pounds or shelters.

All pounds, shelters, or organizations are required to hold and care for dogs or cats for a period of at least five days, such period to include a Saturday, before selling such dogs or cats to dealers so

to allow adequate opportunity for the pets to be recovered by their owners or to be adopted.

Dealers shall not sell a random source dog or cat unless such dealers provide the recipient with a valid certification which contains a detailed description specified in the Act and includes an assurance that such person, pound, or shelter was notified that such dog or cat may be used for research or educational purposes.

Certification records shall be kept by the research facility and the dealer for a period of at least one year for enforcement purposes. Dealers who fail to meet the requirements of this Act shall be subject to the penalties provided under the Animal Welfare Act. Any dealer who violates this section more than one time shall be subject to a fine of $5,000 per dog or cat acquired or sold in violation. Any dealer who violates this section three or more times shall have such dealer's license permanently revoked.

The Secretary shall, not later than 180 days after enactment, promulgate regulations to carry out this section.

Agricultural experiment stations

Section 1482 amends the Act of March 2, 1887 to allow for unused funds to be reapportioned among the States.

Utilization of testing equipment

Section 1483 amends the Act of May 29, 1884 to allow the Secretary to transport a virus to Brookhaven National Laboratory in Upton, New York, under adequate safeguards.

Special and facilities research grants

Section 1484 amends the Act approved August 4, 1965 by authorizing the Secretary to make grants, for periods not to exceed 5 years, to facilitate or expand research grants in areas of the food and agricultural sciences, and, to certain entities, to facilitate or expand ongoing State-Federal food and agricultural research programs.

No grant may be made for the planning, repair, rehabilitation, acquisition, or construction of a building or facility. Grants shall be made without regard to matching funds.

Four percent of the amount appropriated for any fiscal year to carry out this subsection may be retained by the Secretary to pay administrative costs. Ninety percent of the amount appropriated for any fiscal year to carry out this subsection shall be made to regional research projects.

Tribally controlled community colleges

Section 1485 amends the Second Morrill Act by changing the definition of State to include tribally controlled community colleges.

Reservation extension agents

Section 1486 requires the Secretary to establish reservation extension agents to provide extension services to Indian Reservations and tribal jurisdictions. The Secretary shall consult with the Bureau of Indian Affairs, the Intertribal Agriculture Council, and the Southwest Indian Agriculture Association on placement of the

agents. There are authorized to be appropriated such sums as may be necessary to carry out this section.

National community development award

Section 1487 requires the Secretary to establish the National Community Development Award for land grant complexes that demonstrate outstanding commitment to mission-based integrated research and extension programs that, among other things, are interactive with and contributing to the local communities. Awards shall not exceed $500,000 per year for a period not to exceed 3 years to support research or study by the recipient. Not less than five awards shall be made each year. There are authorized to be appropriated $500,000 in each of the fiscal years 1991-95.

Sense of Congress regarding formula funding for agricultural research and extension

Section 1488 states that it is the Sense of Congress that increases in the competitive grants program should not be derived from a reduction in funds for formula funding programs and that formula funded programs should be funded at a level that will maintain an effective infrastructure to conduct applied agricultural research and technology transfer programs.

Repeals

Section 1489 amends the National Agricultural Research, Extension, and Teaching Policy Act of 1977 by repealing section 1413A, the Biomass Energy Education and Technical Assistance Programs; section 1419, Grants for Research on Alcohol and Industrial Hydrocarbons; chapters 1 through 6 of subtitle H, the Solar Energy Programs; section 1473B, Technology Development for Small- and Medium-Sized Farming Operations; section 1473C, the Special Technology Development Research Program; and, effective October 1, 1991, section 1473D, Supplemental and Alternative Crops.

Agricultural materials research

Section 1490 reauthorizes the Critical Agricultural Materials Act and amends it by authorizing to be appropriated such sums as are necessary to carry out this section in each of the fiscal years 1991-95 and by adding a new section on research into new commercial products from natural plant materials to allow the Secretary to undertake research related to the development of new commercial products derived from natural plant materials.

Agricultural Telecommunication Program

Section 1491 establishes a program to encourage the development and utilization of an agricultural communications network through a partnership between eligible institutions and the Department of Agriculture. This program will employ a communications network to disseminate and to share academic instruction, cooperative extension programming, and agricultural research and marketing information.

The objectives of the program are listed. Several terms are defined. "Communications network" refers to signal conversion equipment, computer hardware and software, terminals, or related

devices, used to process and exchange data through a telecommunications system in which signals are generated, modified or prepared for transmission, or received, via telecommunications terminal equipment and telecommunications transmission. Eligible institution means any Land Grant college or university, agricultural institution of a foreign country that participates with any such Land Grant college or university, and any other educational institution that the Secretary may determine appropriate.

The Secretary is required to establish a program under which financial and technical assistance may be provided to eligible institutions that submit an application for the Secretary's approval. The Secretary may approve all or part of any application, that may request funding of program production, program delivery, or both.

The Secretary shall establish procedures to ensure that there is a broad dissemination of programming through the communications network, giving a priority to applications that are submitted by institutions affiliated with an established agricultural telecommunications network; or demonstrate the need for such assistance, taking into consideration the relative needs of all applicants and the financial ability of the applicants.

The Secretary shall consider applications for assistance for the production and delivery of programs of cooperative extension, academic instruction in agriculture, and agricultural research. Such requests shall include, among other things, to whom the programming will be distributed, and the total cost of producing and delivering such programming; the amount of assistance requested by the applicant for the proposed activity authorized to be conducted under this section and other sources of funding that will be used for the proposed activity.

The Secretary may provide assistance to an eligible institution in an amount that shall not exceed 50 percent of the cost of the proposal unless the Secretary determines that the eligible institution would otherwise be unable to carry out the proposal. The Secretary may allocate up to 10 percent of the amounts appropriated for the acquisition and installation of telecommunications transmission facilities.

There are authorized to be appropriated to carry out this section, not to exceed $12,000,000 for each of the fiscal years 1991-95.

Graduate School of the Department of Agriculture

Section 1492 provides that Federal agencies may place an order, or enter into an agreement, with the Graduate School of the Department of Agriculture for training and for other services incidental to the provision of such training. The Graduate School may obtain any goods or services necessary to the fulfillment of an order or its obligations under such agreement without regard to the requirements of any law that prescribes procedures for the procurement of property or services by an executive agency. The financial records of the Graduate School shall be made available to the Comptroller General for purposes of conducting an audit.

Special grants for financially stressed farmers, dislocated farmers, and rural families

Section 1493 amends the Rural Development Act of 1972 by extending this program to 1995 and by, among other things, requiring the Secretary to work with the State office of rural health, the State department or agency of mental health under this section.

Research facilities

Section 1494 provides for an extensive review of Federally funded agricultural research facilities.

Congress finds that, among other things, reviews conducted by GAO, the Office of Technology Assessment, the National Academy of Sciences, the National Science Foundation, the National Association of State Universities and Land Grant Colleges, and the Users Advisory Board indicate that many research facilities are underused, run-down, and duplicative of other facilities and that an adequate planning process for the acquisition or modernization of research facilities is not utilized by USDA or the Congress. Construction of new facilities currently consumes a disproportionate amount of agriculture research investment and more resources should be directed toward upgrading and maintaining existing facilities.

Several terms are defined. "Agriculture facility" means an existing Agricultural Research Service or Forest Service facility, an agricultural facility in the process of being planned or being constructed using Federal funding or a planned agricultural facility that will use Federal funding, or any other facility under the jurisdiction of the Secretary.

The Secretary shall establish an Agriculture Research Facilities Planning and Closure Study Commission to be composed of 14 members: 2 shall be appointed by the Secretary; 3 shall be appointed by the Chairman and 3 by the Ranking Minority Member of Senate Committee on Agriculture, Nutrition and Forestry; and 3 shall be appointed by the Chairman and 3 by the Ranking Minority Member of the House Committee on Agriculture. The Secretary shall designate a member of the Commission to serve as the Chairman.

Members of the Commission who are not regular full-time employees of the U.S. government shall be entitled to receive compensation at a rate fixed by the Secretary as well as travel expenses. The Commission shall meet at the call of the Chairman, of a majority of the members of the Commission, or at the call of the Secretary. The Chairman may appoint a Director of the Commission and request the detailing of the staff of Federal agencies to the Commission and may employ experts and consultants.

The Commission shall review all currently operating and planned agricultural facilities for research importance; identify those facilities that should be closed, realigned, consolidated, or modernized; and develop recommendations concerning facilities and evaluate the facilities acquisition and modernization system utilized by USDA and recommend improvements in such system.

The Commission shall have the power to meet and hold hearings, use the mails, and provide and acquire administrative support serv-

ices. Not later than 240 days after the date of enactment the Commission shall submit a report concerning its findings and recommendations to the Secretary and the appropriate Committees of Congress.

There are authorized to be appropriated such sums as may be necessary to carry out this section.

Rural health and safety education

Section 1495 establishes the Rural Health and Safety Education Act of 1990 by adding a new section to the Rural Development Act of 1972. The Secretary may make grants for the establishment of individual and family health education programs and the establishment of farm safety education programs that shall provide information and training to farm workers, timber harvesters, and farm families concerning safety in the work place. Educational programs conducted with such grants shall be coordinated with the State offices of rural health and shall provide leadership within the State for the dissemination of appropriate rural health and safety information resources possessed by the Rural Information Center established at the National Agricultural Library.

The Secretary shall establish policies, procedures and limitations for grant applications by States. Land-grant colleges and universities and 1890 schools, including Tuskegee University, shall determine mutually the type of rural health and safety education program needed in the State within which such institutions reside.

There are authorized to be appropriated to make grants, $5,000,000 for fiscal year 1991, $10,000,000 for fiscal year 1992, $15,000,000 for fiscal year 1993, and $20,000,000 for fiscal year 1994 and each subsequent fiscal year. Amounts appropriated under this subsection shall remain available until expended.

Rural Rehabilitation and Assistive Technology Program for farmers with disabilities

Section 1496 allows the Secretary to make demonstration grants to private nonprofit disability organizations to enable such organizations to initiate or expand community-based direct service programs that provide on-site rural rehabilitation and assistive technology for individuals with physical disabilities, and their families, who are engaged in farming or farm-related occupations.

Grants may be used to initiate or expand programs that provide direct, on-site rural rehabilitation services and counseling, to provide on-site technical advice concerning assistive technology and assist in the modification of farm worksites, operations and living arrangements, to involve community and health care professionals and others in the early identification of farm and rural families that are in need of services, to provide specialized programs for rural rehabilitation and health care providers and others, and to mobilize rural volunteer resources.

Grants shall be awarded directly to State Extension Service agencies to enable such agencies to enter into contracts, on a multiyear basis, with private nonprofit community-based direct service organizations. No grant shall be awarded that is less than $150,000. There are authorized to be appropriated for each of the fiscal years 1991 and 1992 not less than $3,000,000, and for each of the fiscal

years ending 1993 through 1996 not less than $5,000,000 to carry out this subsection.

The Secretary shall award a grant to a national private nonprofit disability organization to enable such organization to provide technical assistance, training, information dissemination and other activities to support community-based direct service programs of on-site rural rehabilitation and assistive technology for individuals with physical disabilities, and their families, who are engaged in farming or farm-related occupations. There are authorized to be appropriated for each of the fiscal years 1991 through 1996 not more than $1,000,000 to carry out this subsection.

SUBTITLE F—EFFECTIVE DATE

Effective date

Section 1499 states that this title and the amendments made by this title shall become effective on October 1, 1990 unless otherwise provided.

TITLE XV—FOREST STEWARDSHIP ACT OF 1990

SUBTITLE A—COOPERATIVE FORESTRY ASSISTANCE ACT OF 1978

References

Section 1511 cites changes in this subtitle as changes to the Cooperative Forestry Assistance Act of 1978 (CFAA).

Findings and purposes

Section 1512, subsections (a) and (b), expands the current law with new findings and purposes that address environmental threats to private forest lands, and the economic and environmental benefits that may accrue from more active multiple use management of those lands.

Subsection (c) encourages the Secretary to implement management assistance activities through and in cooperation with appropriate State officials and the private sector.

Forest stewardship assistance

Section 1513 amends the CFAA as follows.

Rural forestry assistance

Section 3 amends and replaces the Rural Forestry Assistance program of the CFAA.

Subsection (a) authorizes the Secretary to expand technical forestry assistance programs.

Subsection (b) provides for Federal financial, technical, and related assistance to State foresters and State extension directors for technical information and advice to land owners and others in forest resource management.

Technical assistance activities under current law are expanded to include forest health monitoring, soil and water conservation, endangered species management, alternative forest crop production and marketing; forest land protection, aesthetic forest land management, rural-urban interface management; recreational opportunities; forest land protection from development. Subsection (c)

allows the Secretary to provide financial and technical assistance to State forestry agencies for timber, soil, and water management activities similar to current law.

Subsection (d)(1) establishes a Forest Stewardship Program. This new program is established to encourage long-term stewardship of nonindustrial private forestlands.

(2) The Program's goal is to enroll 25 million additional acres of private forest land into stewardship management within 5 years.

(3) The Forest Service is required to provide financial, technical, and related assistance to State foresters to work with other State and local natural resource agencies in the delivery of information and professional assistance to private land owners. The USDA may cooperate directly with other State and local natural resources agencies and land-grant universities in cases where State foresters cannot make fund transfers. Technical assistance will be directed toward actions land owners may take to protect, maintain, and enhance fish, wildlife, water, wetlands, recreation, and timber resources.

(4) Encourages the Secretary to establish a forest stewardship recognition program.

(5) The Forest Stewardship Program is authorized at $25 million per year from 1991–95.

Subsection (e) encourages the Secretary to cooperate with other government agencies, non-government organizations, and the private sector in implementing this Act.

Subsection (f) authorizes such sums as necessary to be appropriated for Rural Forestry Assistance.

Forestry stewardship assistance

Section 1514 combines financial and related assistance programs under current law with expanded authority to meet new forest management objectives by inserting new Sections 4 and 5 into CFAA as follows.

Forest stewardship incentives

Section 4 establishes a new financial incentives program to further encourage the voluntary long-term stewardship of private nonindustrial forest lands.

Subsection (a) authorizes the Secretary to establish a Forest Stewardship Incentive Program (FSIP).

Subsection (b) allows nonindustrial forestlands that are not currently enrolled in a Federal, State or private sector program to be eligible for the FSIP cost share. Landowners currently enrolled in a program may be eligible for the FSIP if they agree to expand their forest management activities and comply with the program's requirements. As with current law, landowners are not eligible for financial assistance if they own more than 5,000 acres. The Secretary may accept recommendations of State agencies to bring certain forest lands into the program. The Secretary in consultation with the State Forest Stewardship Advisory Committees, may develop a list of approved activities. In developing a list of activities for which cost share may be received, the Secretary should include:

(i) management, maintenance, and restoration of forests for shelterbelts, windbreaks, aesthetic quality, and other conservation purposes;
(ii) sustainable timber production;
(iii) protection and management of wetlands;
(iv) management of native vegetation
(v) agroforestry;
(vi) forest management for energy conservation purposes;
(vii) management for fish and wildlife;
(viii) management for recreation; and
(ix) other activities approved by the Secretary.

All activities must be consistent with Federal and State environmental laws and policies.

Subsection (c) requires landowners participating in the FSIP to have a forest stewardship plan prepared by a professional resource manager. The plan must be approved by the State forester or equivalent official. The landowner must follow the plan for which cost share was received for not less than 20 years. Plan modifications may be approved by the State forester or equivalent official.

Subsection (d) allows the Secretary to share the cost of developing and implementing the forest stewardship plans. The Secretary and State forester shall determine the reimbursement rate. Cost share payments may not exceed 75 percent.

Subsection (e) requires the Secretary to implement a payback provision in the event a landowner terminates cost shared practices within the 20 year period.

Subsection (f) encourages the Secretary to use the private sector, non-governmental organizations, and consultants to implement this act.

Subsection (g) requires the Secretary to distribute funds among States after giving appropriate consideration to the:

(1) amount of a State's private land;
(2) a State's potential productivity;
(3) number of eligible owners in a State; and
(4) the need for multiple-use forestry investments.

Subsection (h) allows the Secretary to use the Agricultural Act of 1970 when implementing this section.

Subsection (i) authorizes such sums to be appropriated as may be necessary to carry out the FSIP.

Forest Legacy Program

Section 5 authorizes a new conservation easement program for the purpose of protecting forest lands from conversion to alternative uses.

Subsection (a) authorizes the Secretary to establish a Forest Legacy Program (FLP) in cooperation with State and political subdivisions.

Subsection (b) allows the Secretary to purchase interests in land and waters from willing landowners.

Subsection (c) requires that a pilot project in Maine, New Hampshire, New York, and Vermont be implemented immediately. Pilot projects in the Northeast, Southeast, Midwest, West, and the Pacific Northwest should be implemented upon receipt of an assessment

of the need for such a program. Subsequent State programs may be established at the Secretary's discretion.

Subsection (d) requires criteria to be developed for lands threatened by conversion to alternative uses. Priority shall be given to lands with:

(1) unique scenic character;
(2) unique riparian areas;
(3) unique fish and wildlife values.

Subsection (e) requires applications to be submitted through the State forester. The Secretary must have application procedures established within one year.

Subsection (f) requires the Secretary and the State forester to determine which forestlands shall be included in the program.

Subsection (g) allows forest management activities, including timber management, to be undertaken if the activities are consistent with the intent of the FLP.

Subsection (h) requires the landowner to prepare a forest reserve plan that:

(A) states the rationale for bringing the land into the FLP;
(B) describes planned management activities; and
(C) describes other information determined appropriate by the Secretary.

Subsection (h) also requires the landowner to manage easement land in a manner that is consistent with purposes for which the land was put into the program.

Subsection (i) allows the Secretary to share the cost of purchasing an easement. These purchases should:

(1) be in the public interest;
(2) appropriately reimburse the landowner based on the forestland's value, ecological and scenic value, the threat of potential loss, income expected from the land, and other criteria deemed appropriate.
(3) not exceed 75 percent of the purchase cost; and
(4) be made in lump-sum or periodic payments.

Subsection (j) defines scenic easement; prohibits limitations to duration or scope; and authorizes acquisition of easements.

Subsection (k) authorizes such sums to be appropriated as may be necessary to implement the FLP.

Forest health control

Section 1515 renames the current Insect and Disease Control program as the Forest Health Control program. Current law is amended to include the impacts from man-made causes (i.e., air pollution) into forest health programs. The following subsections further amend current law.

Subsection (b)(1) strengthens insect and disease control programs by authorizing a nationwide forest health monitoring program. Subsection (b)(4) allows technical information, advice and related assistance regarding forest health techniques to be provided to State and private landowners. Subsection (b)(5) allows pilot research projects to be completed before applying full scale application of a forest health practice.

Subsection (b)(6) allows implementation of appropriate silvicultural techniques that may protect forest health.

Subsection (g) establishes financial assistance partnerships between the Forest Service and State forestry organizations for forest health monitoring and protection.

Subsection (h) allows any amounts appropriated or available to the Forest Service to be used for emergency suppression of forest pests on all lands.

Mobilization and funding

Section 1516 amends current law by establishing a fire fighting mobilization and funding program.

Subsection (a) authorizes a financial, technical, and related assistance program for State foresters to conduct fire fighting mobilization activities.

Subsection (b) authorizes $100 million per year to be appropriated, $50 million of which shall be made available to rural volunteer fire departments to conduct mobilization activities. The Federal cost share may not exceed 50 percent of any rural fire fighting activity and must be provided on a matching basis.

Subsection (c) defines "rural volunteer fire department"and "mobilization".

Rural revitalization through forestry

Section 1517 establishes a new rural revitalization education program within the USDA Extension Service.

Subsection (a) allows the Secretary to establish a rural revitalization program through Extension Service and Cooperative Extension Service in consultation with Forest Service to assist rural communities with economic policies for business development consistent with environmental concerns.

Subsection (b) requires programs established under Subsection (a) to:

(1) transfer technologies to other United States based industries;

(2) assist businesses in identifying global markets; and

(3) train local leaders in economic development.

Subsection (c) requires the Secretary to establish specific programs that:

(1) deliver educational services;

(2) use Cooperative Extension Service databases and analytical tools to help communities diversify their economic base;

(3) fully use the Cooperative Extension Service, land-grant universities and county offices to promote economic development in an environmentally sound manner.

Federal, State, and local coordination and cooperation

Section 1518 creates a new Section 12 of the CFAA. Section 12 provides coordination and cooperation of Federal forestry programs by establishing an intra-USDA coordinating committee and a framework for independent State Forest Stewardship Advisory Committees.

Subsection (a) establishes a Forest Resource Coordinating Committee. The Committee will be chaired by the Forest Service Chief and will include representatives from the Agricultural Research Service, Agriculture Stabilization and Conservation Service, Exten-

sion Service, Forest Service, and Soil Conservation Service. The Coordinating Committee will coordinate private forestry programs, clarify individual agency responsibilities, and advise the Secretary on mediating intra-departmental differences.

Subsection (b) provides a framework for State stewardship advisory committees.

Paragraph (1) requires each State forester to establish a Forest Stewardship Advisory Committee. Each State's Committee will be chaired by the State forester and must include representatives from Federal agencies, State agencies, non-governmental organizations, the private sector, and landowners. Committee members will serve three year terms. Existing State committees may be used if they include landowners and the general public.

Paragraph (2) requires the Committees to consult with other USDA and State committees which address forestry issues; make recommendations to the Secretary about implementation of this Act; make recommendations concerning the development of a Forest Stewardship Planning Guide; make recommendations about approved practices; and make recommendations concerning those forestlands that should be included in the Forest Legacy Program.

Paragraph (3) allows subcommittees to be established to address different programs under this Act.

Paragraph (4) requires Forest Stewardship Planning Guides to be developed. These Guides will provide baseline data; outline threats to forest lands; describe economic and environmental opportunities; address management of intermingled Federal, State, and private forestland ownerships; and make recommendations for local implementation.

Paragraph (5) allows existing State advisory committees and plans to be used for the purposes of this Section if they conform its requirements.

Administration and limitations

Section 1519 provides administrative guidelines and limitations by adding sections 18 and 19 to the CFAA.

Section 18 outlines administrative guidelines for the Act's implementation. These guidelines require: administering the Act in accordance with regulations developed by the Secretary; keeping the regulations formulated by the Agricultural Act of 1970 in tact; requiring cost sharing regulations to be developed; allowing the Secretary to make grants, contracts, and agreements; construing the Act as supplemental to other USDA laws and shall not be construed as limiting or repealing current laws; providing that an existing mechanism should be used to make payments and to deliver services to the landowner.

Section 19 states that no provision of this act shall infringe on a landowners private property rights unless they are willingly sold under the Forest Legacy Program.

Conforming amendments

Section 1520 makes amendments that bring this subtitle into conformance with existing authorities.

SUBTITLE B—RESEARCH AND EDUCATION

Chapter 1.—General Research Programs

McIntire-Stennis Research Program

Section 1521 reaffirms the importance of the McIntire-Stennis Cooperative Forestry Act.

Competitive forestry, natural resources, and environmental grants program.

Section 1522 establishes a competitive grants program for forestry, natural resources and environmental research.

Subsection (a) authorizes the Secretary to establish a Competitive Forestry, Natural Resources, and Environmental Grant program.

Subsection (b) allows agricultural experiment stations, colleges or universities, research organizations, Federal agencies, private organizations and corporations to be eligible for grants. Eligible organizations are required to submit an application to the Secretary.

Subsection (c) allows grants to by used for research in:

(1) biology of forest organisms;
(2) ecosystem function and management;
(3) wood use;
(4) human forest interactions;
(5) international forestry product marketing;
(6) energy;
(7) water and agricultural chemical reduction;
(8) alternative crops;
(9) economic production and marketing products and services;
(10) the benefits of conservation;
(11) the affects of global climate change;
(12) genetic tree improvement; and
(13) market expansion.

Subsection (d) allows grants to be used for updating research facilities and equipment, and for the Secretary to develop criteria that will assist in prioritizing grants.

Subsection (e) requires the Cooperative Forestry Research Council, a council that exists under current law, to provide recommendations to the Secretary on grant priorities.

Subsection (f) authorizes the Secretary to make grants under this program for five years.

Subsection (g) authorizes such sums as are necessary to be appropriated as may be necessary for the Grant Program.

Chapter 2.—Southern Forest Regeneration Program

Establishment

Section 1525 establishes a Southern Forest Regeneration Program.

Subsection (a) requires the Secretary to make a grant to a State to establish a Southern Forest Regeneration Center to study forest regeneration problems in the southern regions of the United States.

Subsection (b) directs the Secretary to give preference to a State intending to establish the Center at a land-grant university, and that:

(1) operates a forestry program;
(2) operates forest regeneration research programs;
(3) employs research personnel in nursery seedling research; and
(4) has a regional communications system.

Duties of center

Section 1526 requires the Southern Forest Regeneration Center to study forest regeneration problems and forest productivity in the southern regions of the U.S.

Plan

Section 1527 requires the Secretary to prepare and submit a plan to Congress on the implementation of the Center's recommendations to carry out regeneration activities.

Establishment of other programs

Section 1528 directs the Secretary to establish additional centers at the Secretary's discretion.

Report

Section 1529 requires the Secretary to report to Congress annually on the forest regeneration research activities that are conducted pursuant to the Plan required by Section 213.

Authorization of appropriations

Section 1530 authorizes such sums as may be necessary to carry out this Chapter.

Chapter 3.—Competitive Grant Program

Southern forest productivity grant program

Section 1531 authorizes a southern forest productivity grant program that allows competitive grants to be given for southern forest regeneration research.

Chapter 4.—Education

Extension

Section 1535 amends the Renewable Resources Planning Act by inserting a new Section 5(a) that augments USDA Extension Service educational programs.

Subsection (a) authorizes the Secretary to expand existing forestry and natural resources education programs of the Extension Service and State Cooperative Extension Services, in cooperation with State foresters, school boards and universities.

Subsection (b) requires the Secretary to ensure that expanded programs include activities that:

(A) demonstrate the concepts of sustainable natural resources management;

(B) conduct comprehensive environmental citizen education programs for environmentally positive activities; and

(C) improve the capacity of schools, local governments and agencies to deliver forestry and natural resource information.

Subsection (b) amends Section 3(a) of existing law by requiring a comprehensive natural resource and environmental education program with an emphasis on youth.

Subsection (c) amends Section 5(a) of existing law to require that the Extension Service's plan address water quality protection and natural resource and environmental education for landowners, managers, public officials and the public.

Forestry Student Grant Program

Section 1536 amends the Forest and Rangeland Renewable Resources Research Act by establishing a Forestry Student Grant Program.

Subsection (a): establishes a Forestry Student grant program to provide expanded assistance for forestry, natural resources, and environmental science education.

Subsection (b) provides that grants be targeted to assist graduate and undergraduate minority and female students.

Subsection (c) gives priority to students whose studies concentrate in:

(1) biology of forest organisms;
(2) ecosystem function and management;
(3) human-forest interactions;
(4) international trade, competition, and cooperation; and
(5) wood as a raw material.

Subsection (d) authorizes such sums to be appropriated as may be necessary to implement the Student Grant Program.

Chapter 5—Agroforestry Research Center for Semiarid Agroforestry Research, Development, and Demonstration

Section 1541 establishes a Center for Semiarid Agroforestry Research, Development in Lincoln, Nebraska. The Center, under the Forest Service's direction will work with State and private foresters, international foresters, Great Plains universities experiment stations and other USDA agencies.

Research topics

Section 1542 authorizes the Secretary to conduct or assist with research in the following areas:

(1) sustainable agroforestry systems to minimize topsoil loss and water contamination;
(2) model agroforestry systems;
(3) stress and pest-resistant trees;
(4) technology transfer programs;
(5) biodiversity, wildlife habitat, recreation, and environmental quality;
(6) windbreak technologies;
(7) sustainable agroforestry on drylands;
(8) global climate change;
(9) international agroforestry;

(10) agroforestry effects on nonsource water pollution;
(11) tree and shrub planting; and
(12) strategies for forestry and agroforestry.

Report

Section 1543 requires the Secretary to prepare an annual report on these activities as part of the annual report as required by the Forest and Rangeland Renewable Resources Planning Act.

Authorization of appropriations

Section 1544 authorizes $5 million per year to be appropriated for agroforestry research.

SUBTITLE C—INTERNATIONAL TRADE

International trade

Section 1551 requires the USDA to report on incorporation of authorized wood and processed wood products into international trade programs.

SUBTITLE D—EMERGENCY REFORESTATION PROGRAM

Purpose

Section 1561 authorizes the Secretary to establish an emergency reforestation program for forestlands damaged by natural disasters.

Definitions

Section 1562 defines "Emergency Reforestation Committee", "Forestry Practice", "Natural Disaster", "Private Forest Land", and "Secretary".

Cost share assistance

Section 1563 provides guidelines for disaster relief assistance.

Subsection (a) allows landowners owning less than 5,000 acres to be eligible for disaster relief.

Subsection (b) requires landowners to develop forest management plans in order to receive assistance.

Subsection (c) limits cost share to 75 percent of actual costs.

Subsection (d) allows landowners to be reimbursed for reforestation practices that were implemented prior to the enactment of this subtitle, but shall not reimburse for reforestation prior to September 1, 1989.

Regulations

Section 1564 requires the Secretary to issue regulations as soon as practicable after enactment of this subtitle.

Authorization of appropriations

Section 1565 authorizes such sums as may be necessary for disaster relief.

TITLE XVI—ORGANIC CERTIFICATION PROGRAM

Short title

Section 1601 provides that this subtitle may be cited as the Organic Foods Production Act of 1990.

Findings and purposes

Section 1602 includes several findings of Congress, including that there is a need for a national program to standardize and promote the production of food through organic farming methods. The purpose of this bill, among other things, is to establish national standards governing the production of organically produced products and to encourage environmental stewardship.

Definitions

Section 1603 sets forth certain definitions for the purposes of Title I of the Act. Several definitions are of particular interest:

Agricultural products includes all raw and processed agricultural commodities, including livestock and fowl that are marketed for human and livestock consumption.

Certifying agent means the chief executive officer of a State, or in a State that provides for the election of a Commissioner of Agriculture, the Commissioner and any individual (including private entities such as third-party certification organizations) who are accredited by the Secretary as a certifying agent for the purpose of certifying a farm or handling operation as an organically certified farm or handling operation.

Governing State official means the chief executive official of a State, or in a State that elects a Commissioner of Agriculture, the Commissioner, who administers the organic certification program of the State.

Organically produced means agricultural products that are produced using organic farming and handling methods specified in this title and produced by certified farms and handling operations.

Producer and handler encompass all those involved in the farming, processing, packaging, storing, or selling of organically produced products, excluding the final retailer who does not process the food.

Synthetic means a substance that does not ordinarily occur in nature and that, in most cases, is manufactured by chemical processes.

Transition farm means a farm that is organic but has been so for less than the required three years.

SUBTITLE A—NATIONAL STANDARDS GOVERNING THE ORGANIC PRODUCTION OF AGRICULTURAL PRODUCTS

National organic production program

Section 1611 authorizes the Secretary to establish standards for producers and handlers who produce organic agricultural products. The section requires the Secretary to consult with the Organic Standards Board in developing those standards. The section further provides that the certifying agent be responsible for certification and for labeling products which are organically produced. Each

State may implement an additional organic certification program for producers and handlers if the state so chooses.

Establishment of label

Section 1612 requires the Secretary to establish a USDA label that states that an agricultural product has been "organically produced" to be affixed on products produced in accordance with this Chapter. As of September 1, 1992, no labels will be allowed which state or imply that a product has been organically produced other than the USDA organically produced label, with three exemptions:

(1) the Secretary, upon recommendation of the National Organic Standard Board and in consultation with the Secretary of Health and Human Services, may permit the word "organic" to be used on the principal display panel for food if such food, excluding water and salt, contains at least 50 percent organically-produced ingredients. The word organic may also be used, following the same procedures, on the ingredient panel for food that contains less than 50 percent organically produced ingredients, excluding water and salt. In both cases the word may be used only to describe those ingredients that are organically produced but *no USDA label is allowed.*

(2) Farmers who sell less than $5,000 of agricultural products may represent their product as organic without certification but *no USDA label is allowed.*

(3) The Secretary may determine that imported organic food may be sold within the U.S. if the Secretary determines that such food has been produced following guidelines that are at least equivalent to the requirements of this Act but *no USDA label is allowed.*

The certifying agent, with the approval of the Secretary and the applicable governing State official, may authorize the affixing of a second label that indicates the State origin of the product and the certifying body of such product.

General requirements

Section 1613(a) requires that any organic program require all labeled products to be produced in accordance with the standards set forth in this chapter, and must provide for periodic on-site inspections and residue testing. The State certification program must also provide certain specified appeal, enforcement, conflict-of-interest, and freedom-of-information procedures.

Section 1613(b) contains discretionary program requirements including the assessment of fees for producers and handlers who participate in the program, stricter State requirements, the possibility of certifying parts of a farm or handling operation, and an exemption for farms subject to a government emergency pest or disease treatment program.

State organic certification program

Section 1614 provides that a State may implement a State organic certification program. A State organic program may contain more restrictive requirements than those set forth in this title.

Such additional State requirements must further the purposes of this title, must not be inconsistent with this title, must not be dis-

criminatory toward agricultural commodities produced in other States, and must be approved by the Secretary.

The governing State official must submit for approval of the Secretary, the plan for the State organic certification program every five years and at any time a substantive change to such program is made.

Prohibited crop production practices and materials

Section 1615 prohibits: certain seed, seedlings and planting practices; farms from using irrigation water unless such water has been analyzed and approved by the certifying agent; certain soil amendments; and certain crop management practices.

Producers may not use natural poisons that have long-term effects and persist in the environment. Plastic mulches may be used if they are removed at the end of each growing or harvest season.

Animal production practices and materials

Section 1616 establishes standards for organically produced livestock products. Prohibited practices include using certain feed additives including plastic pellets for roughage and feed formulas containing urea, the use of growth promoters and hormones, use of synthetic internal parasiticides on a routine basis, the administration of medication other than vaccinations, and the use of impure drinking water for livestock. Livestock must be fed 100 percent organically grown feed. Livestock record keeping procedures are also established.

The section requires that livestock be raised according to all of the above standards for certain periods of time: for poultry and laying livestock from the second day of life; for dairy livestock for not less than one year; for all other slaughter livestock, for the entire life of the animal.

The National Organic Standards Board shall recommend to the Secretary standards for health care for livestock to ensure that animals are organically produced.

Handling

Section 1617 prohibits certain practices for handling operations involved in the processing of organically produced products including the use of any ingredients that are not organically produced in accordance with this Act, unless such ingredients are included on the National List and represent not more than 5 percent of the weight of the total finished product, excluding water and salt.

Additional guidelines

Section 1618 provides for residue testing. Preharvest tissue testing may be required of any crop grown on soil suspected of harboring contaminants. Product residue testing is required. If a product labeled as organically produced contains any detectable pesticide or other non-organic residue, an investigation shall take place to determine whether the requirements under this Act and the applicable State certification program have been violated.

The product shall not be labeled organically produced if the investigation indicates that the residue—

(1) is the result of intentional application of a prohibited substance; or

(2) is present at levels that are greater than unavoidable residual environmental contamination as prescribed by the Secretary or the applicable governing State official.

The section further provides that producers and handlers must keep records, including a detailed history of substances used. Such records must be kept by producers and handlers for a period no less than 5 years.

Other production, handling, or processing practices

Section 1619 provides that if a production or handling practice is not prohibited or restricted under this bill, such practice is then permitted unless the Secretary or the applicable governing State official determines otherwise.

Contents of organic plan

Section 1620 requires that a producer or handler seeking certification submit an organic plan to the certifying agent. A crop production farm plan shall include provisions to foster soil fertility, foster crop rotations, and prohibit certain manuring practices. Livestock and handling plans are also required.

Accreditation program

Section 1621 requires the Secretary to implement an accreditation program for governing State officials and private individuals who certify farms and handling operations. Accreditation must be renewed at a minimum every five years. In order to be designated as a certifying agent, the governing State official or private individual must submit an application and have sufficient expertise in organic methods.

The Secretary may provide for the collection of reasonable fees from certifying agents seeking accreditation or reaccreditation.

Requirements of certifying agents

Section 1622 requires that any certifying agent must be able to fully implement the organic labeling program. The certifying agent must use the label properly; employ a sufficient number of qualified inspectors; maintain adequate records; comply with the terms of any applicable State organic program; protect confidential business information; and not participate in any activity that causes a conflict of interest.

Section 1622 further provides that private certifying agents must agree to hold the Secretary harmless for any failure on the part of the certifying agent to carry out the program. A private certifying agent is required to furnish reasonable security in an amount determined by the Secretary to protect the rights of participants in the program.

The Secretary or governing State official may suspend a certifying agent's accreditation if that agent has not properly adhered to the provisions of this title.

Peer review of certifying agents

Section 1623 allows the Secretary to establish a peer review committee consisting of no less than 3 persons who have expertise in organic farming and handling methods for the purpose of evaluating the State or private individual seeking approval as a certifying agent. At least 2 members of the committee shall not be employees of the USDA. The Secretary shall consider the recommendations of such committee in determining whether to approve an application for accreditation.

National standards for organic production

Section 1624 establishes the minimum standards that must be met in order for a product to be labeled as organically produced. Such standards include a prohibition on the use of synthetic chemicals and a requirement that no prohibited substances or practices be used in the production of the product for a minimum three-year period.

National list

Section 1625 provides for the establishment of a National List of approved and prohibited substances that shall be included in the standards for organic production.

The list may include natural substances otherwise allowed under this title but which are determined to be harmful to human health or the environment and inconsistent with organic farming. The list may include substances otherwise prohibited under this title that are found to be harmless to human health and the environment, are necessary because of the unavailability of wholly natural substitute products, and are determined to be consistent with organic farming practices and the substance—

(1) contains active synthetic ingredients in the following categories only: pheremones; soaps; horticultural oils; toxins derived from bacteria; treated seed; fish emulsions; vitamins and minerals; livestock parasiticide and medicines; and production aids such as machinery cleansers;

(2) contains synthetic inert ingredients;

(3) is used in processed food and is non-synthetic but not organically produced.

The National List shall be developed by the Secretary based upon a Proposed National List or Proposed Amendments to the National List developed by the National Organic Standards Board. The Secretary may not include exemptions for synthetic substances other than those exemptions recommended by the National Organic Standards Board.

Before establishing the National List or making amendments to such list, the Secretary shall publish the Proposed National List or Proposed Amendments in the Federal Register and seek public comment.

National Organic Standards Board

Section 1626 requires the Secretary to appoint a 13-member National Organic Standards Board to assist in the development of standards and specifically to form a proposed National List.

The Board shall include four members who own or operate an organic farming operation; two members who own or operate an organic handling operation; one member who owns or operates a retail establishment with significant trade in organic products; three members with expertise in the areas of environmental protection and resource conservation; and three members who represent public interest or consumer interest organizations. A two-thirds vote is required to carry.

The members of the Board are not compensated. The Board shall hire a staff director and the Secretary may detail USDA staff or provide for the hiring of staff to work with the Board. The Board shall convene Technical Advisory Panels to provide scientific evaluations of the materials considered for inclusion on the National List.

The section sets out specific steps the Board must take when evaluating substances for inclusion on the National List, including the review of available information from the EPA, the National Institute of Environmental Health Studies, and other sources, as appropriate, concerning the human and environmental toxicity of substances considered for inclusion in the Proposed National List. Individuals may petition the Board to evaluate substances for inclusion on the National List.

The Board must conduct a thorough evaluation of substances that may be included on the National List. Among other things, the Board must determine the potential of such substances for detrimental chemical interactions with other materials used in organic farming systems; the toxicity of the substance and of its breakdown products; the effects of the substance on human health; and other considerations.

The Board shall review each substance included as an exemption or prohibition on the National List at least every 5 years. Any business sensitive material obtained by the Board in carrying out this section shall be treated as confidential information by such Board and shall not be released to the public.

The Board shall review all botanical pesticides for possible inclusion on the National List of prohibited natural materials. The Board shall also advise the Secretary and the EPA Administrator on whether to establish a registration program for organic production materials. The Board shall advise the Secretary concerning residue testing for organic products.

Violations of chapter

Section 1627 establishes penalties: for misusing or tampering with the organically produced label—up to $50,000 and 2 years imprisonment; for producers who issue false certifications—a five-year ineligibility period for participating in the program. Producers and certifying agents are provided notice and an opportunity to be heard.

Administrative appeal

Section 1628 requires the Secretary to establish an expedited administrative appeals procedure under which individuals may appeal actions concerning the organic certification program.

Administration

Section 1629 requires the Secretary to issue regulations to carry out this title no later than 180 days after enactment. The section further provides that the Secretary shall provide technical assistance to States that implement organic certification programs and may provide financial assistance to such States.

Authorization of appropriations

Section 1630 authorizes such sums as may be necessary to be appropriated to carry out this chapter.

SUBTITLE B—NATIONAL ORGANIC PROMOTION ADVISORY COMMITTEE

Establishment of National Organic Promotion Advisory Committee

Section 1641 requires the Secretary to establish an advisory committee to acquire information and advice from representatives of organic farming and handling sector concerning:

—the establishment of legislation creating an organic promotion, research, and consumer education program;
—the development of an initial referendum and structure for such program;
—the research program established in chapter IV;
—and any other aspect of organic production, research education, or promotion of concern to the Secretary.

The Secretary shall, within 180 days after enactment, appoint a 15 member Advisory Committee (including a chairperson) from nominations received from organic certifying organizations, States, and other interested parties. They shall include: six members who own or operate an organic farming operation; six who own or operate an organic handling operation; and three who represent public interest or consumer interest organizations. The Secretary shall convene initial meeting within 60 days. Therefore the Committee shall meet not less than twice annually, and have a three year sunset date after the initial meeting.

The Advisory Committee shall provide recommendations and advice to the Secretary concerning: the establishment of an orderly procedure for the development and financing of an effective, coordinated program of research, promotion, and consumer information concerning organically produced agricultural products; the establishment of a democratic process under which individuals involved in the organic industry may determine whether a permanent national organic program should be implemented after 1992; ways to maintain, develop, and expand the position of the organic industry in domestic and foreign markets; and needed research and extension programs on ag production systems and materials used or potentially to be used in organic production.

The Secretary shall provide Advisory Committee support as appropriate. The Advisory Committee may submit at the appropriate time its recommendations for the establishment of an organic program and, upon termination of the Advisory Committee, shall submit a final report concerning the development of such organic program, to the Secretary and to the chairpersons of the House and Senate Agriculture Committees.

Authorization of appropriations

Section 1642 authorizes to be appropriated such sums as may be necessary to carry out this title.

SUBTITLE C—TRANSITION LABEL DEMONSTRATION PROGRAM

National Label Demonstration Program

Section 1651 provides that the Secretary shall establish a National Transition Label Demonstration Program. The program established by this chapter is also designed to help evaluate the impact a transition label would have on consumer purchasing decisions and organic markets and to assess whether the availability of a transition label would provide a significant incentive to motivate farmers to adopt more sustainable agricultural practices.

Administration

Section 1652 requires the Secretary to make a grant from funds appropriated under section 306 to not less than 4 States that: have implemented a State organic certification program under chapter I; can designate a limited marketing area where the label could be used and controlled; and submits a competitive proposal.

The Secretary shall give preference to any State that will assist in developing and carrying out the Program by making funds or other resources of such State available for use in the Program.

States that receive these grants must: design a demonstration project that meets the specifications of the Secretary; select a number of farming operations to participate in the Program as transition farms; authorize the sale of the products of the selected farms in retail establishments in such State; and submit a final report.

Establishment of labels

Section 1653 requires the Secretary to establish one experimental label to be affixed to agricultural products that have been produced on selected transition farms. The label shall state that the agricultural product has been produced in "transition to organic" and shall bear the seal of the USDA.

The chief executive officer of a State shall affix such labels referred to an agricultural product only if such product has been produced on a transition farm.

Reports

Section 1654 requires that, within 2 years after the date of enactment of this title, the chief executive officer of a State shall submit a final report detailing the results of the Program to the Secretary and the House and Senate Agriculture Committees.

Authorization of appropriations

Section 1655 provides that there are authorized to be appropriated such funds as may be necessary to carry out this title.

Chapter 4—Organic Production Research

Section 1661 requires the Secretary to establish a program to conduct research related to the production and marketing of organic products. The Secretary may provide grants to facilitate the conduct of such research. In implementing this program, the Secretary shall provide for the conduct of research to, among other things, study the toxicity levels of toxic synthetic and natural substances used in organic production, measure levels of background contamination of toxic substances, develop economical residue testing procedures, develop efficacious protocols and materials for handling organically produced products, and improve the technology of organic livestock production.

The Secretary shall consult with the National Organic and Standards Board established under Chapter I and Advisory Committee established under Chapter II concerning specific research topics that are necessary.

There are authorized to be appropriated such sums as may be necessary to carry out this title.

Title XVII—Fruits and Vegetables

Short title

Section 1701 establishes this title as the "Fruits and Vegetables Act of 1990."

Subtitle A—Use of Domestic Fruits and Vegetables

Findings

Section 1711 sets forth Congressional findings on the importance of fruits, vegetables, and specialty crops to nutrition. These are essential components of a healthy, nutritious diet as recommended by health organizations, including the Surgeon General of the United States, the National Institutes of Health, and the National Academy of Sciences.

Purposes

Section 1712 sets forth the purposes of this title as (1) improving the dietary and nutritional standards of the Nation by promoting domestically produced fruits and vegetables; (2) increasing public awareness of the difficulties producers face in production, harvesting, and marketing fruits and vegetables; and (3) aiding in the development of new technology and techniques to assist domestic producers of fruits and vegetables.

Declaration of policy

Section 1713 declares that the domestic production of fruits and vegetables is a keystone of U.S. farm policy.

Study

Section 1714 requires the Secretary of Agriculture to conduct a study and report to Congress on the state of the domestic fruit and vegetable industry, including a review of:

—the labor supply in the industry;

—the availability of crop insurance or disaster assistance;

—scientific and technological advances related to the production and marketing of fruits and vegetables;
—the availability of safe and effective chemicals for use in fruit and vegetable production;
—the requirements and cost of the labeling of fruits and vegetables, and the benefits to consumers from such labeling; and
—Federal educational programs that teach the importance of fruits and vegetables in the diet.

Market assistance report

Section 1715 requires the Secretary of Agriculture to conduct a study and report to Congress on Federal programs that provide market enhancement assistance to domestic producers of fruits and vegetables. In this report, the Secretary shall make recommendations concerning (1) how producers not receiving assistance under these programs could participate and (2) additional programs which may be needed to assist producers in increasing fruit and vegetable production and expanding domestic and foreign markets.

Labeling of products grown in the United States

Section 1716 requires the Secretary of Agriculture, in cooperation with the Commissioner of the Food and Drug Administration, to establish a voluntary program under which food producers, processors, and marketers may label food products as "Grown in the United States" or as "Made of Ingredients Grown in the United States." The Secretary shall establish guidelines to determine what percentage of U.S. ingredients is acceptable in processed foods to allow participation in the labeling program established under this section.

Section 1716 further requires the Secretary to review and provide a report to Congress within 6 months on all existing Federal country of origin food labeling requirements, including an analysis of their adequacy and recommendations to improve country of origin information available to American consumers.

Procurement of United States produced fruits and vegetables

Section 1717 includes a Sense of the Congress statement that each Federal agency or department should intensify efforts to procure U.S. produced fruits and vegetables to be used in food programs and consumption of such by employees of such agencies. The procurement offices of these agencies should make a special effort to purchase and use U.S. produced fruits and vegetables as long as such cost is comparable to current costs for fruits and vegetables. All Federal agencies and departments are required to report within 18 months to Congress on progress made to increase such purchases.

SUBTITLE B—KIWIFRUIT AND OTHER FRUIT AND MARKETING REFORM

Chapter 1—Kiwifruit and Other Fruit

Restrictions on imports

Section 1721 amends current law [section 8e(a) of the Agricultural Adjustment Act] to provide that certain imported commodities

be subject to the same grade, size, quality, or maturity standards as the same U.S.-produced commodities are required to meet under USDA marketing orders. This section expands current law by adding kiwifruit, nectarines, plums, and pistachios to the list of commodities affected by these provisions.

Chapter 2—Marketing Reform

Short title

Section 1725 establishes this chapter as the "Agricultural Marketing Reform Act of 1990."

Findings

Section 1726 sets out Congressional findings that Federal regulations provide incentives for producers to apply pesticides to fruit and vegetable crops to achieve a high degree of cosmetic quality; producers are not given financial incentives to bring flavorful, nutritious food to market because current grading standards do not rate taste or nutritional value; large quantities of pesticides, applied for cosmetic purposes, pose significant and unnecessary risks to health and environment; and consumers prefer citrus grown to less exacting cosmetic quality standards when consumers are informed of additional required pesticide applications.

Grading standard reforms

Section 1727 requires the Secretary of Agriculture to amend regulations and standards for fruits and vegetables developed in the Agricultural Marketing Act of 1946 to include, where not already used, criteria that reflect flavor, sugar, and nutritional content value, and reduce emphasis on cosmetic appearance. The Secretary shall report to the Congress on actions taken under this section not later than 2 years after the date of enactment of this Act.

The Agricultural Marketing Act is further amended to require the Secretary, in classifying limes, lemons, oranges, grapefruit, and other citrus crops, to increase permissible scarring within the highest grade on the outer rind that might result from reduced pesticide use. Such increase in permissible scarring will be contingent upon an analysis of consumer demand and acceptance to be completed by the Secretary no later than two years after the date of enactment of this Act.

Marketing order reforms

Section 1728 provides that producers of "organically grown" agricultural commodities may exempt that portion of their agricultural commodities certified as "organically grown" or originating from a field that has been certified as "organic" under Federal or State law from marketing orders, unless the Secretary determines that a substantial portion of the crop is exempt under this subsection and will cause conditions contrary to the purpose of 7 U.S.C. 602. If such a determination is made, this provision shall not apply and a report describing the conditions that resulted in the determination shall be filed to Congress within 45 days.

Section 8c(6) of the Agricultural Adjustment Act is amended to provide that the terms and conditions of the section shall not be

accomplished through the use of cosmetic quality standards (that are based upon superficial damage to, or alteration of the exterior appearance of, the commodity or product that does not significantly affect the yield, taste, or nutritional quality of the product) after July 1, 1992.

Marketing research

Section 1729 amends section 1463(c) of the Food Security Act of 1985 (as amended by section 14602) by requiring the Secretary to conduct research concerning the impact of food marketing policies and practices such as market news and information, retail point of purchase information, marketing orders, cosmetic quality standards, food grading, pricing practices, and food distribution, buying, selling, and merchandising practices on: the willingness and ability of farmers to adopt or expand their use of sustainable agricultural practices; pesticide use in agriculture; and consumer access and willingness to buy food produced with sustainable agricultural practices. On the basis of the research conducted by the Secretary, the Secretary shall develop options for the implementation of food marketing policies and practices. The Secretary shall disseminate to concerned parties the results obtained from prior research to avoid duplication of effort and ensure the enhancement of current knowledge concerning such policies and practices. $10,000,000 is authorized for the purposes of this section. Amounts appropriated under section 1468 shall not be used to carry out this paragraph.

SUBTITLE C—NATIONAL LABORATORY ACCREDITATION

Definitions

Section 1731 provides definitions for use by the Secretary of Agriculture in a National Laboratory Accreditation Program.

Program

Section 1732 requires the Secretary to set up a program to certify that laboratories which conduct residue testing of agricultural products, or which make claims to the public or buyers of agricultural products on chemical residue levels, meet certain minimum quality and reliability standards. The Secretary shall consult with the Administrators of the Food and Drug Administration and the Environmental Protection Agency in establishing these standards. Laboratories that are operated by a government agency, a corporation or partnership that only performs an analysis for such entity and does not make claims to the public or buyers on such analysis, or for research, quality control or other non-commercial purposes, are exempt from certification requirements.

Accreditation

Section 1733 provides that laboratories seeking certification shall complete such tests and meet such standards as may be established by the Secretary. Interim accreditation may be issued for up to 180 days pending final approval by the Secretary. Accreditation shall be effective for no more than three years, at which time the laboratory may reapply.

Samples

Section 1734 requires the Secretary to sample, review, and evaluate the performance of laboratories seeking certification in conducting accurate analysis of chemical residues in agricultural products at least twice annually.

Application

Section 1735 requires applications for certification to include: (1) the name and address of the laboratory; (2) the names and addresses of the owners and managers of such laboratory; (3) a statement of the type of analysis conducted; (4) a brief history of the laboratory and its previous operations; and (5) additional information as required by the Secretary.

Reporting

Section 1736 provides that each laboratory under this program shall report immediately to the Secretary, and to the owner of the specific food analyzed, on any finding of pesticide residues: (1) for which no residue tolerance has been established; (2) in excess of the established tolerance; or (3) for a chemical that has been banned, suspended, or otherwise withdrawn for food use.

Fees

Section 1737 requires the laboratory seeking accreditation to pay a fee, established by the Secretary, to help offset the cost of the program. Laboratories must also reimburse the Secretary for the cost of travel and expenses to conduct on-site inspections. The program exempts reference laboratories from such fees.

Public disclosure

Section 1738 requires the Secretary to release the results of the evaluations of applying laboratories to the public upon request.

Regulation

Section 1739 requires the Secretary to promulgate regulations to carry out this program.

Appropriations

Section 1740 authorizes such sums as necessary to be appropriated to carry out this program.

Effective date

Section 1741 provides that the laboratory accreditation program shall become effective January 1, 1991.

SUBTITLE D—PESTICIDE EXPORT REFORM

Short title

Section 1751 establishes this subtitle as the "Pesticide Export Reform Act of 1990."

Chapter 1—Exported Pesticides

Definitions

Section 1755 amends section 2 of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) by including new definitions for "country of use" and "exporter" to carry out the pesticide import/export notification and consent process established in this subtitle. The current definition of "misbranded" is amended to reflect new labeling requirements that (1) pesticide labels be written in an official language of the country where the pesticide will be used and (2) labels on exported pesticides contain all the information required for domestic use of a pesticide in the U.S. These requirements shall apply for labels on all exported pesticides.

Registration of establishments

Section 1756 amends section 7 of FIFRA to require additional information from chemical manufacturers on the production of pesticides intended for export. Manufacturers are required to annually report to EPA the types and quantities of pesticides produced for export markets and the date and quantity of exports to each foreign country over the most recent year.

Protection of trade secrets and other information

Section 1757 requires the Administrator to make available certain information on pesticides produced for export and pesticide exports, such as the product name, country of use, intended use, date of export, and manner of transport.

Unlawful acts

Section 1758 amends FIFRA by including as an unlawful act under section 12(a)(2) the knowing or reckless export of a pesticide or device in violation of import/export requirements under section 17 as amended by this subtitle.

Imports and exports

Section 1759 replaces the current section 17 of FIFRA as follows:

(a) Pesticides and Devices Intended for export

Unregistereds

Pesticides intended for export must meet the specifications of the foreign purchaser and the legal requirements of the country of use. Four requirements are added for the export of pesticides:

(A) exported pesticides must be registered for use in the United States or have a food tolerance under section 408 of Federal Food Drug and Cosmetic Act;

(B) exporters must comply with prior informed consent (from the country of use) for the export of particularly hazardous pesticides;

(C) labels must be written in an official language of the country of use, and must contain all the information required for pesticides for use in the United States; and (D) manufacturers and exporters must meet requirements of FIFRA concerning

pesticide storage, disposal, transportation, and container design.

Food use

The export of pesticides for agricultural production in a foreign country that are not registered for food use in the United States and are not the subject of a food tolerance in the United States is prohibited. A pesticide will be considered as intended for food use if it is probable that it will be used in agricultural production based on:

(A) advertising, promotion, packaging, distribution, and labeling of the pesticide;

(B) patterns of pesticide use in the country of use in connection with food production;

(C) current pesticide use patterns for food production in the importing country;

or (D) the quantity intended for export is in excess of the quantity necessary for use other than for agricultural production related to food use.

Communicable disease

On request of the country of use, the Administrator may grant a temporary waiver of the prohibition of a pesticide export if such pesticide is the only practical means of stopping the spread of a communicable disease in humans that poses a serious threat to public health. Such a waiver may be granted only if:

(A) the pesticide is to be used on a temporary basis;

(B) there is no practical alternative to prevent the spread of the disease;

(C) the country of use consents to the importation of the pesticide;

and (D) the pesticide will not be used as part of a routine pest control program.

The waiver will allow the export of the amount of the pesticide required to meet the serious public health threat and requires that the exporter agree to assist in providing for the disposition or removal of any excess quantities of the exported pesticide.

Famine

On request of the country of use, the Administrator may issue a temporary waiver to permit the export of a pesticide which would otherwise be prohibited from export in order to control famine in a country of use. Upon the request of the country of use, such a waiver may be granted only if:

(A) the pesticide is to be used on a temporary basis;

(B) the pesticide will only be used to control the spread of famine;

(C) there is no practical alternative to prevent the spread of famine;

(D) the pesticide will not be used as part of a routine pest control program; and

(E) current food supplies are not adequate to prevent the spread of famine.

The provisions on quantity and removal or disposal of the exported pesticide are the same as those for a waiver to control spread of a communicable disease.

Statutory construction

Paragraphs (1) and (2) of this subsection are not to be construed so as to allow the Administrator to exempt any pesticide or device from any requirement of this section except in the case of a pesticide that is exempted from the provisions of FIFRA pursuant to section 25(b) of FIFRA.

Prior informed consent

A program for prior informed consent or refusal of a pesticide export between EPA and foreign governments with regard to particularly hazardous chemicals is established.

In general, prior to the exportation of a particularly hazardous pesticide, the exporter must provide to EPA a notice containing the following information:

(A) the name of the pesticide for export;

(B) the name and address of the exporter;

(C) the name and address of the foreign purchaser;

(D) the intended date and quantity of shipment of such pesticide;

(E) the manner of transport of such shipment;

(F) the country of use of such pesticide; and

(G) the raw agricultural commodity on which such pesticide is to be used.

Following such notice, if the notice is the first within a 12-month period to identify a country of use for the specific pesticide, EPA shall, within 60 days of receiving such notice, notify the appropriate regulatory agency in the country of use and the office responsible for the International Register of Potentially Toxic Chemicals of the intended export.

To the extent not in conflict with the requirements of the country of use, a particularly hazardous pesticide intended for export must also be packaged and stored in conformity with FAO standards.

Restriction on the export of certain pesticides

The Administrator may restrict the export of a pesticide under certain conditions. The Administrator shall publish in the Federal Register a notice disclosing that a country of use has informed the Administrator, or an international agency of which the U.S. is a member, that such country does not wish to import a pesticide, not later than 10 days after the receipt of such information. The Administrator shall publish the notice only if:

(A) the country of use has indicated that it does not wish to import the pesticide pursuant to an international system of pesticide export and import controls: adopted by an international agency of which the U.S. is a member and the U.S. has consented to the adoption of the system; or reached through an international agreement to which the U.S. is a signatory; or

(B) on the basis of a notice issued in accordance with the prior informed consent provision of this section, the country of

use does not consent, or has given conditional consent, to the importation of the pesticide.

A refusal by a country of use is contingent upon that country certifying to the Administrator that it will not produce or import the pesticide or a similar product. Any refusal of consent to a pesticide import shall be considered to be a continuing refusal and be effective until the country of use modifies or withdraws the refusal.

Labels

The label of any pesticide intended for export from the United States must be written in an official language of the country of use and must contain all the information required by FIFRA under section 3 for use of the pesticide in the United States.

Research

Pesticides or devices which contain an active ingredient that is not, and has not been, registered in the U.S. may be exported if they are to be used only for research or experimental purposes.

In general, chemical manufacturers are required to provide simultaneously to the country in which they wish to conduct research on tracts of land 10 acres or more and to the Administrator a written request for consent of the country of use which contains information such as the name of the chemical, the purpose of the experiment, the location and size of the experiment, the persons responsible for the experiment, and relevant health and safety information.

The exporter must certify that the pesticide will be used only for experimental purposes and that any crops or livestock to which the pesticide is applied will be fed only to experimental animals that will be destroyed and not used for food purposes.

Not later than 60 days after the receipt of a request for consent, the Administrator is required to certify whether the request provides the required information about the experimental use. The Administrator must also transmit to the country of use: (1) the written request; (2) a summary of available information relating to adverse effects of the pesticide; and (3) a complete statement of the factual basis for the issuance of a domestic experimental use permit if a permit has been issued for the pesticide. On request of an appropriate official of the country of use, the Administrator must provide a copy of any records that are associated with the issuance of a domestic experimental use permit for the pesticide if a permit has been issued for the pesticide, except that the composition of the formula to be tested will not be provided.

The consent of the government of the country is required, along with any additional conditions it may wish to include, before export for such experimentation can occur. After consent of the country of use is given, the Administrator is required to provide notice to the exporter within 5 working days and publish a notice in the Federal Register containing the following information: (1) the pesticide for research or experimental use; (2) the producer and exporter of the pesticide; (3) the country of use; and (4) the response of the country of use.

(b) Notices of regulatory changes

EPA is required to transmit notiees of significant regulatory changes in the status of pesticides to the appropriate agencies of foreign governments and to the office responsible for the International Register of Potentially Toxic Chemicals. The notices shall contain: the reasons for the action; information on chemical and nonchemical alternatives; a summary of any possible adverse effects on human health or the environment; and the name and address of the EPA office to contact for additional information.

(c) Imports

Current law is clarified to require notices from Customs to EPA on the arrival of active ingredients, as well as pesticides and devices, imported to the United States.

(d) International Cooperation

The Administrator of EPA should:

(A) convene a meeting of representatives of foreign governments and other interested parties to promote improved research, regulatory programs, and sustainable agriculture (including integrated pest management);

(B) convene a meeting to encourage multilateral agreements on export notices and control measures for pesticides;

(C) provide foreign countries with technical assistance to develop comprehensive pesticide regulatory programs; and

(D) provide a report to Congress on the regulatory abilities of foreign countries with which the United States trades to ensure safe use of pesticides and control residues on foods imported to the United States.

Chapter 2—Tolerances for Agricultural Commodities

Revocations and suspensions

Section 1761 amends current law to require that the tolerance or exemption for a pesticide use on a specific commodity or processed food be revoked if the pesticide registration is cancelled for such food use due to public health concerns. The effective date of the tolerance or exemption revocation shall be 180 days after the cancellation of the pesticide's registration.

The Administrator may delay the effective date of the revocation to allow for the distribution of commodities that may contain residues from pesticide use before the cancellation. Such a delay may only occur if the Administrator determines that allowing the delay does not pose a danger to public health.

In addition, the Administrator may establish a tolerance at a level which will allow for unavoidable residues on food due to environmental persistence of the pesticide. Within one year after the order revoking the tolerance, and not less than annually thereafter until the effective date of the revocation, the Administrator must reduce the tolerance, taking into account any decrease in environmental contamination by the pesticide or residues on lawfully treated food.

A period of not less than 60 days for objection to the delay in effective date of the tolerance or exemption revocation and to tolerances established after cancellation of the registration shall be provided by the Administrator. Following publication of a summary of the objections and a 30 day comment period, an order shall be published by the Administrator stating the response to each objection. The effective date of an order shall not occur until 90 days after the publication of such order.

If the registration of a pesticide for use on an agricultural commodity is suspended, the Administrator shall suspend the tolerance for such use. The effective date for the suspension of the tolerance or exemption is 120 days after the suspension of the registration and remains in effect until the suspension of the registration is lifted. Tolerances may be established and reduced under the same conditions as those required for such actions after cancellation of a registration.

Tolerances

Section 1762 provides that EPA shall not establish new tolerances for pesticide residues on food unless a practical method exists for detecting and measuring pesticide residues on a raw agricultural commodity or processed food at the tolerance level.

Annual reports by agricultural attaches

Section 1763 requires agricultural attaches in foreign countries to include, in annual reports currently provided to the Secretaries of Health and Human Services and Treasury, information on pesticide production and use in countries exporting food to the United States. As available, information will also be provided on agricultural pesticide production and use in countries that may indirectly export food to the United States through a third country.

Effective dates

Section 1765 provides that provisions in this Act shall be effective six months from the date of enactment. Section 17(a)(2)(A), which prohibits the export of unregistered pesticides, will be effective 36 months from the date of enactment for any pesticide which: (1) has not been the subject of a previous registration application or food tolerance petition all of which have been denied, revoked, cancelled, or suspended; and (2) is the subject of a food tolerance petition that is filed not later than 6 months after the date of enactment of this Act. The Administrator may grant a one year extension of the 36 month period if the applicant has filed a complete petition and has shown due diligence in pursuance of a tolerance.

TITLE XVIII—GRAIN QUALITY

SUBTITLE A—COORDINATION AND EVALUATION OF GRAIN QUALITY IMPROVEMENTS

Committee on grain quality and grain quality coordinator

Section 1811 directs the Secretary to establish an intra-departmental committee and designate a Coordinator responsible for in-

vestigating problems and opportunities, improving communication, and coordinating activities of the USDA to improve grain quality.

Benefits and costs associated with improved grain quality

Section 1812 requires the Federal Grain Inspection Service (FGIS) to conduct an economic analysis of benefits and costs prior to making major changes in grades and standards or imposing cleanliness limits on grain carried out under sections 1822, 1824, and 1825.

SUBTITLE B—MEETING THE PERFORMANCE REQUIREMENTS OF INTERMEDIATE AND END USERS

Classification, grades and standards design framework

Section 1821 establishes economic value for the intermediate and end user as a policy goal for the system of grain standards.

Improving the cleanliness of grain

Section 1822 requires, subject to economic justification, that No. 3 or better grain be as clean as economically and commercially practical to enhance its competitiveness. Limits on cleanliness conditions are to be set with consideration given to technical constraints, economic benefits and costs, and levels met by competitors.

Cargo loading requirements

Section 1823 directs that grain officially inspected and weighed for export shall be loaded according to a plan that favors neither the seller or buyer.

Grade determining factors related to physical soundness and purity

Section 1824 specifies that grade-determining factors and factor limits be set to reflect levels of soundness and purity consistent with satisfactory end-use performance.

Prohibition of contamination

Section 1825 authorizes FGIS discretion to prohibit contamination of sound and pure grain through introduction of nongrain substances, toxic grain exceeding established tolerances, or unmerchantable grain. No prohibition can be imposed against blending an entire grade of grain.

Sense of Congress concerning tests for purity

Section 1826 encourages FGIS to develop tests for mycotoxins and pesticide residues and incorporate these tests into the grain inspection system.

Sense of Congress concerning cooperative enforcement of Federal grain purity requirements

Section 1827 encourages FDA and EPA, both short on enforcement staff, to seek assistance from and cooperate with FGIS in enforcing purity laws and regulations that apply to grain.

Aflatoxin testing

Section 1828 requires that corn exported from the U.S. be officially tested for aflatoxin.

SUBTITLE C—INCORPORATING QUALITY INCENTIVES IN COMMODITY CREDIT CORPORATION PROGRAMS AND ACTIVITIES

Entry quality standards for all farmer-owned reserve grains

Section 1831 requires the establishment of entry standards and management practices for grain stored under the farmer-owned reserve in order to maintain quality.

Price support loan incentives for quality grain

Section 1832 requires that CCC commodity loan programs offer premiums and discounts related to the cleanliness of grain in addition to any other quality factors.

Quality requirements for Commodity Credit Corporation-owned grain

Section 1833 requires that grain stored by CCC meet minimum quality standards. Quality assurance is achieved by utilizing FGIS approved procedures to inspect grain acquired and owned.

Establishing quality as a goal for Commodity Credit Corporation programs

Section 1834 requires that CCC activities, when practical, promote quality in the production and marketing of crops and livestock.

SUBTITLE D—INTRINSIC QUALITY IMPROVEMENT

Seed variety information

Section 1841 specifies that varieties of grain submitted for public testing be evaluated for end-use performance and the results shall be publicly available. The Extension Service shall disseminate the performance information.

Survey of grain varieties

Section 1842 requires that the National Agricultural Statistics Service periodically survey varieties of grain produced in the United States.

Analysis of variety survey data

Section 1843 directs the Agricultural Research Service to combine variety information on intrinsic performance with the results of variety surveys to evaluate crop quality characteristics and trends.

Sense of Congress concerning end-use performance research

Section 1844 instructs the USDA and, in particular the Agricultural Research Service and land-grant universities, to examine their financial priorities and give increased emphasis to variety evaluation and the development of objective tests for end-use properties.

Sense of Congress concerning cooperation on objective testing

Section 1845 encourages FGIS to utilize the research capabilities of the Agricultural Research Service and the land-grant universities in efforts to develop objective tests of performance that can be incorporated into grain inspections.

SUBTITLE E—ASSISTANCE FOR IMPROVEMENTS IN GRAIN QUALITY

Authority to assist farmers and elevator operators

Section 1851 directs the Secretary to provide technical assistance (including information on financial assistance that is available) related to installing, improving, and properly operating grain cleaning, grain drying, or grain storage equipment.

Standardizing commercial inspections

Section 1852 requires that FGIS establish a list of approved grain testing equipment, develop inspection procedures, and implement a voluntary inspection certification program for rural country elevators.

TITLE XIX—RELATED AND MISCELLANEOUS MATTERS

SUBTITLE A—ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION

Short title

Section 1901 states that this subtitle may be cited as the "Alternative Agricultural Research and Commercialization Act of 1990".

Chapter 1—Establishment of Alternative Agricultural Research and Commercialization Corporation

Findings and purpose

Section 1902 states several findings and purposes. Congress recognizes the potential of three related forces in the United States—our scientific capacity to modify plants and plant materials, the inventiveness of our agricultural research sector, and our unmatched agricultural production capacity—to develop new nonfood, nonfeed industrial products derived from agricultural commodities. However, Congress finds that many of the emerging new ideas, products and processes resulting from agricultural research will not be developed and commercialized because of high initial financing costs and high risk.

Therefore, Congress believes that a major increase in targeted research to develop new industrial products derived from agricultural commodities is necessary. Congress also believes that the careful targeting of financial assistance to entrepreneurs for the commercialization of new industrial products will be a cost effective means of redeveloping the rural economy and stabilizing the agricultural sector.

It is the purpose of this legislation to lend a hand in the difficult process of developing and commercializing nonfood, nonfeed products and processes using agricultural and forestry crops. It will provide the vital coordination of cooperative development efforts

among manufacturers, financiers, universities and private and public laboratories to speed the commercialization of these products and processes. The goals are to strengthen the rural economy, to create jobs, to expand the market for traditional crops and new crops which are suitable for production on family-sized producers, and to enhance U.S. competitiveness in international markets.

Definitions

Section 1903 defines terms used in this bill. Among the terms defined are the following:

Commercialization means all activities related to product commercialization from the development of prototype products or industrial plants to the market development of new industrial uses.

New industrial product development means targeted research, including necessary research concerning the plant, modification of plant material, new methods, if any, needed to cultivate the plant, the commercial separation and purification of the new industrial product, and any research on the uses of the new product as well as fundamental research and applied research necessary to make a product available for the marketplace.

New industrial product means an item that is primarily not a food, feed or traditional forest or fiber product, including an item that exists but is not commercially available from a plant source.

Establishment of the Corporation

Section 1904 establishes a nonprofit corporation within the Department of Agriculture, entitled the "Alternative Agricultural Research and Commercialization Corporation" (AARCC). The Corporation shall provide grant assistance, contracts and cooperative agreements, loans, interest subsidies, technology transfers, and other activities.

Powers of the Corporation

Section 1905 provides AARCC with general corporate powers. As a wholly-owned government corporation, AARCC shall be subject to the more stringent standards of auditing and oversight under the Government Corporate Control Act.

Corporate board of directors

Section 1906 establishes a board of directors. The board of directors shall be composed of nine members, including the Assistant Secretary for Science and Education and the Under Secretary of Agriculture for Small Community and Rural Development. The Secretaries of Agriculture and Commerce shall appoint five and two members, respectively, and two members shall be appointed by the Director of the National Science Foundation. These Directors, serving five year terms, shall represent the agricultural, scientific, financial, and managerial sectors. They may hold full-time jobs while serving as Directors and at least three members shall be from the private sector. The board of Directors shall elect a Chairman and shall meet not less than four times annually to review research and financial applications and recommend final funding to the Secretary.

Powers and duties of corporate board

Section 1907 provides the board with the authority to delegate to the Regional Centers the bulk of the activities of the Corporation. The Corporation shall adopt bylaws, develop an organizational structure, and hire a limited number of staff members, which may include a General Counsel, Treasurer, and Executive Director, who shall be considered Federal employees. The choice of officers and employees shall be nonpartisan. The board may establish panels of experts to provide advice, and may hold hearings when appropriate.

Compensation

Section 1908 provides that board members, except for the Assistant Secretary and the Under Secretary, shall receive compensation equivalent to the daily prorated amount of Level II of the Executive Schedule, plus reimbursement for reasonable expenses. If absolutely necessary, the board may, with the Secretary's approval, pay one officer or employee above the Federal pay scale.

Financial disclosure and conflicts of interest

Section 1909 requires that members of the board of directors and all other officers and employees be subject to the Ethics in Government Act. A director or a member of an advisory council is precluded from voting on any matter in which such individual has a financial interest. Directors who violate this rule shall be removed from the board.

Authorization of administrative expenditures

Section 1910 requires that administrative expenses be kept to a minimum in order to make available more money for research grants and financial assistance for commercialization projects. Reasonable and necessary administrative expenses shall not exceed 5 percent of amounts made available in any fiscal year. Funds authorized for administrative expenditures shall not be available for the acquisition of real property.

Criminal sanctions

Section 1911 subjects the Corporation and its Directors, officers and employees to criminal sanctions for releasing proprietary information.

Chapter 2—Research and Development

Research projects

Section 1912 requires the Secretary to select research projects to develop and produce new industrial products, based on the recommendations of the Board. The projects shall be peer reviewed by technical experts.

Criteria for selection shall include the potential to enhance economical production methods for new industrial products, the potential market size of the new industrial product proportional to the funding requested, the time needed to develop and commercialize the product, and the potential profitability of the crop used in the

product to the farmer. Additional criteria include the potential to reduce agricultural subsidies, the unavailability of non-Federal funding, the impact on resource conservation and the environment, and the likely benefit to family-sized farmers and rural communities.

Funding shall only be provided to those projects that have as their principal purpose the development of new industrial products, with priority given to biotechnological research projects. Funding may go to projects proposed by consortia, but may not be used to acquire, build or repair a building or facility. Grants may be made for a minimum of three years. The Board may review the progress of research projects which receive funding from the Corporation, and make recommendations to the Secretary concerning continued research.

Chapter 3—Establishment of Regional Centers

Regional centers

Section 1913 requires the Corporation to establish a minimum of four and a maximum of nine Regional Centers to be located in a different States and selected on the basis of a competitive review. Each Regional Center shall be located at a host institution which shall supply matching funds or in-kind support equal to the support provided by the Federal government. A host institution is a facility that is already constructed and operational. Each Regional Center shall be headed by a full-time Regional Director and an Advisory Council selected by the Board.

Activities of the regional centers

Section 1914 requires the Regional Centers to, among other things:

—develop a network of scientists, engineers, financiers, business managers, and other specialists to assist in project review;
—provide business and technical counseling to small businesses to commercialize new industrial uses of agriculture and forestry products;
—seek out new, nonfood, nonfeed agricultural product ideas which can contribute to rural economic growth;
—and evaluate and recommend applicants for financial assistance for commercialization.

The Regional Centers shall coordinate their activities with the Small Business Development Centers.

Chapter 4—Financial Assistance for Commercialization

Provision of financial assistance

Section 1915 authorizes the Corporation to provide low-interest loans, loan guarantees, interest subsidies, repayable grants matched by private, State or local public funds, umbrella bonding and debentures to eligible applicants to commercialize industrial products using agricultural and forestry crops.

The Board may establish a discretionary fund for each Regional Center to be used for activities related to the financial assistance

described above. The Regional Directors shall account for expenditures from these funds twice a year.

The Corporation, through the Regional Centers, shall monitor the progress of ongoing projects and provide supportive business and technical counseling as needed, assisted by the Advisory Council.

Eligibility criteria for financial assistance for commercialization

Section 1916 describes the eligibility requirements for assistance. An applicant may be eligible for financial assistance if such applicant's proposal to commercialize a new, nonfood, nonfeed industrial product or process is scientifically sound, technologically feasible and marketable. Priority shall be given to proposals which create jobs in economically distressed rural areas, and have financial participation by State or local government or the private sector.

The entities eligible for assistance shall be small businesses as defined under the Small Business Act, universities or other institutions of higher education, nonprofit organizations and cooperatives.

The applicant must show that the proposal has broad application, will create net new jobs in rural areas, and that the applicant's own resources are invested in the project, but that adequate public or private sector funding is not available without AARCC participation. The Corporation shall ensure the confidentiality of proposals.

The Corporation shall establish additional criteria for use when choosing among equivalent applications. These criteria shall emphasize the quantity and quality of jobs created, the level of financial participation by State or local government or private entities, the qualifications of the management, and the level of market demand for the product. Criteria also includes the quantity and quality of jobs created, the potential market demand for the new industrial product proportional to the financial assistance requested, the likely financial return to the Corporation, the potential to reduce Federal crop subsidies, the impact on resource conservation and the environment, and the likely benefits to family-sized farmers and rural communities.

The Advisory Council shall, by majority vote, make a nonbinding recommendation on funding proposals to the Regional Director. The Regional Director, on consideration of the Advisory Council's recommendation and any other comments received from interested parties, shall make and submit the Director's recommendation to the Board along with the recommendation of the Advisory Council.

The Board shall, by majority vote, make the final decision on funding to the applicant. Any final decision may be vetoed by the Secretary who shall notify the Board of the reasons for a veto.

Repayment of financial assistance

Section 1917 requires that a business entity repay the financial assistance it receives from the Corporation according to its contract with the Corporation. The Corporation is given flexibility in negotiating the amount and type of this repayment. The maximum repayment period for financial assistance shall be 12 years. The Board may waive the repayment of financial assistance if reasonable.

Chapter 5—Revolving Fund

Revolving fund

Section 1918 establishes a revolving fund. The Corporation is designed to be self-funding. A revolving fund is established to receive sums from the repayment of financial assistance and contributions to the Corporation. Administered by the Board, the fund shall be used to provide financial assistance authorized by this section and pay operational costs.

Chapter 6—Authorization of Appropriations

Authorization of appropriations

Section 1919 authorizes the Corporation to receive such sums as may be appropriated through fiscal year 1999. Of that sum, $10 million shall be made available in 1990, $20 million in fiscal year 1991, $30 million in fiscal year 1992, $50 million in fiscal year 1993, and $75 million in each of the following fiscal years to implement Chapter 2, Research and Development. The Corporation shall not establish any regional center until not less than $5,000,000 is appropriated in any one fiscal year.

SUBTITLE B—GLOBAL CLIMATE CHANGE PREVENTION

Short title

Section 1921 states that this subtitle may be cited as the "Global Climate Change Prevention Act of 1990".

Findings

Section 1922 sets forth certain findings of Congress including: agricultural production and forest practices may contribute to global climate change; there is reasonable scientific concern that the greenhouse effect is likely to cause a global warming which may cause serious economic and environmental dislocation; and expanded application of sustainable agricultural and forestry practices and energy conservation may ameliorate the greenhouse effect.

Chapter 1—Agriculture and Global Climate Change

Office of Climate Change

Section 1923 establishes an Office of Climate Change within USDA to serve as a focal point for coordinating all issues of climate change. The Director of the Office shall be appointed by and report to the Assistant Secretary designated by the Secretary to be responsible for all climate change activities.

The Office shall serve as a liaison with other agencies and shall ensure that the impacts on agriculture and forestry are fully understood and addressed. Among other things, the Office shall be responsible for coordinating the response of USDA for a climate change study, providing competitive grants for research, coordinating USDA participation in interagency climate-related activities, representing USDA on the Climate Program Policy Board and the Intergovernmental Panel of Climate Change, coordinating the activities of USDA in response to the National Climate Act, and

making recommendations concerning all USDA budget items relating to climate change.

Study on agriculture and forestry implications of global climate change

Section 1924 requires the Secretary to conduct a study on the implications of global climate change for agriculture and forestry. The study shall assess the potential effects of global climate change on U.S. agriculture and forestry and on global food production and trade. Not later than 24 months after the date of the bill's enactment, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the results and findings of the study.

RESEARCH ON GLOBAL WARMING, FORESTS, AND AGRICULTURE

Short title

Section 1925 states that this subchapter may be cited as the "Domestic Research on Global Warming, Forests, and Agriculture Act of 1990".

Findings

Section 1926 sets forth certain findings. Congress finds, among other things, that the Earth's atmosphere is changing; temperature increase and other climatological phenomena are likely to result from the greenhouse gas emissions; studies show that global warming is likely to cause changes in major crop growing areas and that such changes could lead to problems with the world food supply; understanding the potential risks of global warming to agriculture and forestry is important to formulating programs to limit emissions; and forests and agricultural systems may offer the potential for limitation of emissions through changes in practices.

Purposes

Section 1927 sets forth the primary purpose of this subchapter which is to identify research priorities and direct research for examining the effects of global warming on forests and agricultural productivity and to determine and demonstrate possible changes in forest management and agricultural practices that could reduce emissions of greenhouse gases.

Specific purposes include directing research to assess the impacts of global warming on vital crops and developing the means to mitigate such impacts; assessing the emissions of greenhouse gases from forest and agricultural processes; and determining the means of reducing such emissions.

Research studies

Section 1928 includes several findings of Congress including: that rice provides 70 percent of caloric intake for 2.8 billion people and studies have shown that temperature rise can adversely affect rice; the potential effects of temperature increases on crops grown widely such as corn, sorghum, wheat, soybeans, and millet are unknown; and emissions from nitrogen intensive crops may contribute to global warming.

The Secretary shall conduct a study on the effects of global warming on rice production and if the results of the research warrant, conduct a study that addresses the means of mitigating the impacts of global warming on rice. Not later than 4 years after the date of enactment of this legislation, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the results of the study. There are authorized to be appropriated for each of the fiscal years 1991 through 1994, $2,000,000 to carry out this study.

The Secretary shall conduct experimental studies on the effects of global warming on the production of major U.S. crops. If the results of the study warrant, the Secretary shall conduct further studies that address the means of mitigating the impacts of global warming on major U.S. crops. Not later than 6 years after the date of the enactment, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the results of the study. There are authorized to be appropriated for each of the fiscal years 1991 through 1996, $4,000,000 to carry out this study.

The Secretary shall conduct a study on methane emissions from U.S. and Asian irrigated rice production. Not later than 3 years after the date of the enactment, the Secretary shall submit, to the appropriate Committees of Congress, a report of the results of the study and the recommendations of the Secretary. There are authorized to be appropriated for each of the fiscal years 1991 through 1993, $1,000,000 to carry out this study.

The Secretary shall conduct a study concerning the magnitude and types of emissions from nitrogen intensive crops and the means for reducing emissions. Not later than 3 years after the date of the enactment of this Act, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the results of the study. There are authorized to be appropriated for each of the fiscal years 1991 through 1993, $1,000,000 to carry out this study.

Congress finds, among other things, that animals account for approximately 15 percent of total annual methane emissions, that opportunities exist for reducing such emissions and that animals are a major source of human food. The Secretary shall establish a Methane Emissions Program. The program shall evaluate the feasibility and costs of options for achieving reductions in methane emissions from animal management activities. Such program shall also evaluate options for the beneficial utilization of methane.

Not later than 18 months after the date of enactment, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the options evaluated and recommendations for studies and demonstration projects that will improve the public understanding of opportunities for reducing and using methane emissions from agriculture-related activities. Not later than 6 months after the submission of the report, the Secretary shall initiate studies and demonstration projects. There are authorized to be appropriated to carry out these activities, $5,000,000 for fiscal year 1991, and $7,000,000 for each of the fiscal years 1992 and 1993.

Congress finds, among other things, that deforestation activities make a major contribution to carbon dioxide in the atmosphere and that improved management of forests and increased planting

of trees could result in increased utilization of forests as carbon sinks.

The Secretary shall conduct a study on the emissions of methane, nitrous oxide, and hydrocarbons from tropical and temperate forests, the manner in which global change may affect emissions, and the manner in which such emissions may be reduced through management practices. Not later than 3 years after the date of enactment of this Act, the Secretary shall submit, to the appropriate Committees of Congress, a report concerning the results of the study. There are authorized to be appropriated for each of the fiscal years 1991 through 1993, $2,000,000 to carry out this study.

Coordination

Section 1929 requires the Secretary to coordinate the planning and implementation of the activities required to be carried out by the Secretary under this subchapter with the Committee on Earth Sciences and the EPA. The Secretary shall submit, to the EPA, a report concerning the options for controlling methane emissions from livestock and rice on a schedule compatible with the needs of the EPA to assist in the preparation of control plans for all methane sources.

Technical advisory committee

Section 1930 requires the Secretary to establish a technical advisory committee to provide advice to the Secretary concerning activities under this Act. The committee shall be composed of various representatives as the Secretary, in consultation with the Committee on Earth Sciences and the EPA, determines appropriate. Appointments shall be made not later than 90 days after enactment.

Chapter 2—Forestry and Global Climate Change

INTERNATIONAL FORESTRY COOPERATION

Short title

Section 1931 states that subchapter A of the chapter may be cited as the "International Forestry Cooperation Act of 1990".

Findings and purpose

Section 1932 sets forth certain findings of Congress including:

—forests in many parts of the world are rapidly declining;

—deforestation in the tropics is a major contributor to global climate change; and

—global forestry and natural resource problems require global solutions that can only be achieved through international cooperation.

The purpose of this subchapter is to encourage cooperation with other countries as they seek to achieve sustainable economic development through sound natural resource management.

Forestry and related natural resource assistance

Section 1933 finds that remedial actions with respect to forestry policy and resource conservation undertaken by a relatively few key countries could have a substantial impact on emissions of

greenhouse gases and the Secretary shall focus global warming international activities on the key countries.

The Secretary may, among other things, provide assistance that promotes development and global environmental stability and share certain skills related to public and private natural resource administration, provide education and training opportunities, and engage in scientific exchange and cooperative research with foreign entities.

The Secretary shall undertake the activities in countries that receive assistance from AID only at the request, or with the concurrence, of the Administrator of AID.

Tropical deforestation and assistance

Section 1934 allows the Secretary to support and actively participate in global and regional meetings to refine the Tropical Forestry Action Plan; provide assistance to and cooperate with tropical countries in forestry activities; provide staff, nonsensitive technologies and satellite imagery, and financial assistance to the Food and Agriculture Organization tropical forestry development activities.

Training for tropical forest management training and conservation

Section 1935 provides that the Secretary may, among other things, develop partnerships with tropical forestry management institutions; develop cooperation with schools in the U.S. and in tropical countries; manage the Caribbean National Forest/Luquillo Experimental Forest; and assist tropical country entities to encourage local level sustainable tropical forestry management.

Institute of Tropical Forestry

Section 1936 requires the Secretary to expand the capabilities of and construct additional facilities at the Caribbean National Forest and Institute of Tropical Forestry in Puerto Rico. Not later than 1 year after enactment, the Secretary shall submit, to the appropriate committees of Congress, a tropical forestry plan for the expansion and construction of additional facilities.

Administrative provisions

Section 1937 requires the Secretary to coordinate all activities outside of the U.S. as the President may require. The Secretary may provide assistance without reimbursement.

Authorization of appropriations

Section 1938 authorizes to be appropriated such sums as may be necessary to carry out this subtitle.

Conforming amendments

Section 1939 contains several conforming amendments. Adjustments are made to the Forest and Rangeland Renewable Resources Research Act to, among other things, include a new finding on the threat of global warming and to authorize the Secretary to expand research activities to encompass international forestry and natural resource issues. The Cooperative Forestry Assistance Act is amended by adding a new finding on the problems of global warming on

an international scale and by expanding the authority of the Secretary to provide assistance to other countries in global warming activities.

FORESTRY PLANNING AND GLOBAL WARMING

The Forest and Rangeland Renewable Resources Planning Act of 1974

Section 1940 amends the Renewable Resource Assessment by requiring a detailed analysis of the potential effects of climate change on renewable resources; a detailed analysis of forestry opportunities to mitigate and reduce the risk of climate change from global warming; an expansion of the Renewable Resource Program to account fully for the effects of climate change; and inclusion of the potential effects of climate change in the Land and Resource Management Plans.

URBAN FORESTRY

Urban Forestry Energy Conservation Program

Section 1941 sets forth several findings of Congress including:
—improved management and expansion of forests are essential to reduce the rate of buildup of the greenhouse effect;
—cities increasingly experience so-called heat island effects as a result of human activities;
—trees have been shown by research to be effective at ameliorating the heat island effects;
—an urban tree is 15 times more effective than a forest tree at reducing the buildup of carbon dioxide emissions;
—four trees are dying for each tree planted in most cities; and
—enormous opportunities exist to plant trees for energy efficiency in urban areas.

Urban Forestry Education and Planting Program

Section 1942 requires the Secretary to establish an urban forestry education and planting program. The Secretary may provide educational activities to encourage owners of private residences and commercial properties to plant and maintain energy-saving trees; technical assistance; competitive matching grants; and applied research information.

The Secretary shall, annually as part of the Annual Report of the Forest Service prepared under the Forest and Rangeland Renewable Resources Planning Act of 1974, submit to the appropriate committees of Congress, a report concerning the effectiveness of the program. There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this section.

BIOMASS ENERGY DEMONSTRATION PROJECTS

Projects

Section 1943 provides that the Secretary may carry out projects that demonstrate the potential of short-rotation silvicultural methods to produce wood for electricity production and industrial energy needs.

FORESTRY RESEARCH AND GLOBAL WARMING

The Forest and Rangeland Renewable Resources Research Act of 1978

Section 1944 amends the Forest and Rangeland Renewable Resources Research Act by, among other things, adding a new section to direct research activities on global warming topics.

INTERAGENCY COOPERATION ON FORESTRY AND CLIMATE CHANGE

Interagency cooperation to maximize biomass growth

Section 1945 allows the Secretary to enter into agreement with the Secretary of Defense to conduct a study of reforestation and improved management of military installations and lands; and develop a program to manage such forests and lands.

Authorization

Section 1946 authorizes to be appropriated for each of the fiscal years 1991 through 1993, $2,000,000 to carry out this subchapter.

COST ESTIMATE

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee estimates that enactment of the Committee bill will result in direct spending outlays relative to the Senate-passed budget resolution as follows:

[In millions of dollars]

Fiscal year:	*Amount*
1991	207
1992	463
1993	253
1994	192
1995	297
1991-95	1,412

Congressional Budget Office cost estimates regarding the bill were not available at time of submission.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that would be incurred in carrying out the Food, Agriculture, Conservation, and Trade Act of 1990, as reported.

The bill is, for the most part, an extension of current provisions of law. In general, it is not a regulatory measure in the sense of establishing a comprehensive scheme of regulatory requirements that must be adhered to by select segments of the economy. This bill will result in certain specific regulatory requirements which must be met by people who receive benefits under the legislation. Any government program which provides financial or other assistance must have clearly defined regulatory guidelines and a certain amount of paperwork to insure that taxpayers' money is efficiently and effectively disbursed. This assurance that funds are properly spent is especially necessary in this era of fiscal constraint.

Participation by farmers and others in most programs affected by this legislation is voluntary. Those who decide to participate,

and thereby become eligible for Government benefits, will be subject to a certain amount of regulation.

TITLE I—DAIRY

The dairy program authorized in this bill continues the basic milk price support program to assure adequate supplies of milk and dairy products by supporting the price of milk through government purchases of dairy products.

The dairy title provides stability for both the approximately 200,000 dairy farmers and for the thousands of employees in milk product processing plants. The title sets a price support floor of $10.10 per hundredweight. Options for price support increases based on diminished CCC purchases continue current policy.

This program imposes no new regulatory constraints on dairy farmers and milk product processors currently affected by the program.

The budget impact of the dairy program's price support floor, as well as the dairy title's provision for cuts in the purchase price for butter, is expected to be within the budget allocation for dairy of $725 million. The Congressional Budget Office, the United States Department of Agriculture (USDA), and many segments of the dairy industry report that such a price support floor is not likely to result in overproduction or the need for price cuts.

If there is a problem of overproduction, the dairy title establishes an open and orderly procedure for the consideration and development of inventory management or milk marketing adjustment programs. The Secretary will review and recommend such a policy and may base the Secretary's evaluation on the regulatory impact of such policy.

If such an inventory managment policy is implemented, new regulations would be required which would affect all dairy farmers. Since the type of program will be determined in the future, it is not possible to state the impact of this program on consumers. However, one purpose of the inventory management program will be to control federal costs to the taxpayer.

The dairy title also requires the Secretary to review the Minnesota-Wisconsin price series and component price mechanisms in order to make the dairy program more responsive to current conditions.

The component pricing review, the change to total solids calculations for Federal dairy purchases, and the reductions in the purchase price for butter, will combine to send a clear signal to the dairy industry to reduce the fat content of milk products. Consumers want a lower-fat product and the dairy title will underscore this market change.

In order to promote fluid milk, the dairy title establishes a new fluid milk processors promotion program. The Secretary is required to study options for such a program and processors will have the opportunity to vote in a referendum on the Secretary's recommendation before the promotion order is put in place. The promotion program will include a 20 cent per hundredweight assessment to be paid by class I fluid milk processors.

Title II—Wool and Mohair

In reauthorizing the wool and mohair title, the Committee has provided for a simple extension of current law. Consequently, there is no additional regulatory impact associated with this title.

Regulations and requirements associated with this title are minimal. No significant change in the amount of paperwork is anticipated as a result of these amendments.

Title III—Wheat

This title continues the basic structure of the wheat program, using a target price-deficiency payment policy to support farm income, as well as a price support loan rate. Provisions are made for existing acreage reduction, set-aside, and land diversion programs.

As under previous programs, deficiency payments are based on differences between target prices and market prices or loan rates, farm program acreage and yields.

The retention of the current voluntary program will limit the amount of additional regulatory requirements. However, new regulations will be required for programs authorized for the first time in this bill, including the Targeted Option Program (TOP), planting flexibility, and advance compensation provisions.

There may also be further increases in regulatory activity associated with the wheat marketing loan that is established in the bill.

The approximately one million wheat farmers will benefit either directly or indirectly from this title. Consumers will also benefit through the stability of this program and the lack of consumer price impact of this title. Over the past four years, the taxpayer has benefited from the dramatic decline in the cost of the wheat program.

Title IV—Feed Grains

The feed grain program continues to be voluntary and similar in structure to the current program. The legislation continues a deficiency payment and price support loan system and provides for existing acreage reduction, set aside, and land diversion programs.

Program deficiency payments continue for corn, grain sorghum, and oats. A new method of calculating deficiency payments is established for barley.

As in the case for wheat, new regulations will be necessary to implement TOP, planting flexibility, advance compensation provisions, and the marketing loan program as they affect feed grains.

There are approximately one and a half million feed grain farmers who will be affected by this title. Feed grain users, such as livestock, poultry and dairy producers, will also benefit from this program in terms of stability in both price and availability of feed.

This title imposes no new regulations or paperwork burdens other than those already mentioned.

Title V—Cotton

This title retains the structure of the current cotton program. Provisions continue acreage reduction, deficiency payments and

nonrecourse loans. Economic and regulatory effects on cotton producers will be similar in nature to those described for feed grain producers, and the changes described in wheat and feed grains on the TOP and planting flexibility provisions will apply to cotton. Modifications in current regulations regarding loan repayment rates for cotton will be required. Consumers should benefit from competitive prices and the taxpayer should see a level spending pattern for this program.

Title VI—Rice

The bill extends the voluntary rice program that includes provisions for an acreage reduction program as well as provisions for deficiency payments and non-recourse loans.

The provisions in this title will affect the approximately 25,000 rice producers in the United States. Although the current structure of this program is basically unchanged, the new TOP and planting flexibility provisions will expand producer production options and will require a revision of current regulations. With those exceptions, this title imposes no new regulatory or paperwork burdens.

Title VII—Peanuts

In reauthorizing the peanut title, the Committee has established a new mechanism for increasing price support levels and expands the penalties for marketing violations. The bill also expands the sale, lease, allocation and transfer guidelines for quotas.

Regulations and requirements associated with this title are minimal. No significant change in the amount of paperwork is anticipated as a result of these amendments.

Title VIII—Oilseeds

This title establishes a new oilseed marketing loan program. The Secretary will issue new regulations establishing this program which could affect approximately 750,000 soybean and other oilseed producers.

Oilseed producers will also benefit from various planting flexibility provisions in this bill.

Title IX—Sugar

The sugar price support program authorized in the bill would not result in any additional regulatory or paperwork requirements because it is basically an extension of the current program.

Title X—General Commodity Provisions

Subtitle A—Acreage Base and Yield System

The provisions of this subtitle will involve very few new regulations. Those planting flexibility provisions may require new rules. The farm program payment yield provisions, crop acreage base, normal crop acreage are slight revisions from current law and may require slight modifications to current regulations.

These program changes should benefit all program crop and oilseed producers.

SUBTITLE B—MISCELLANEOUS COMMODITY PROVISIONS

These changes in the law will involve an insignificant amount of resources on the part of USDA and agricultural producers. Participants in the oilseed marketing loan will be required to meet certain initial paperwork requirements because the program is new.

Only those spouses who elect to be considered separately will be affected by the new provision and will consider it an economic benefit to comply. USDA is already charged with making sure that producers meet the requirements concerning payment limits.

Revisions in the bill regarding the farmer owned reserve program, establishment of CCC minimum sales price restrictions and adjustments in loan rates for quality and other factors constitute updates in the law that should streamline the implementation of these provisions by USDA.

These program changes will benefit the public by improving the efficiency of the CCC, and by providing a more adaptable reserve stock policy.

SUBTITLE C—HONEY

In reauthorizing the honey program, the Committee has provided for an extension of current law with a freeze on price supports. There is no additional regulatory impact associated with this action.

Regulations and requirements associated with this title are minimal. No significant change in the amount of paperwork is anticipated as a result of these amendments.

TITLE XI—TRADE

SUBTITLE A—PUBLIC LAW 480 AND RELATED PROGRAMS

This subtitle represents a major reform in the Public Law 480 food assistance program. It will streamline and consolidate bureaucratic practices, insure that there are clear lines of authority to the agencies responsible for different parts of Public Law 480, require multiyear program approvals, and amend the process of commodity availability determinations (the "docket") which has been a major roadblock to an efficiently run program.

During its consideration of this legislation the Committee heard wide ranging expressions of concern that bureaucratic procedures and delays had seriously and adversely affected food aid programs. This frustration focused on the Food Aid Subcommittee of the Development Coordination Committee (DCC). The DCC is an interagency group comprised of USDA, AID, State, Treasury, OMB, and occasionally the National Security Council (NSC). The DCC meets weekly to discuss Public Law 480 and is chaired by USDA when considering title I and by AID when considering title II.

A key element of the DCC's institutional behavior is the fact that it operates by consensus, muddling focus and effectiveness. The requirement for consensus results in substantial delays while even minor food aid program details are endlessly debated. The DCC process discourages orderly planning, timely execution and leads to misunderstandings with recipient governments.

By reforming this system, this subtitle should result in substantial program efficiency and decreases in administrative costs. These reforms will require changes in program regulations in order to simplify them to conform to legislative changes.

This subtitle provides for food to be donated on a grant basis to the poorest countries.

The subtitle establishes a debt forgiveness mechanism for these poorest countries, which often face impossible debt burdens. This is similar to existing authority to forgive debt incurred under the Foreign Assistance Act.

While it may appear that the provision of grants and debt relief to the poorest countries will result in substantial costs, the reality of the situation is that many of these countries cannot now repay old Public Law 480 debts and their future ability to repay is increasingly dim. In recognizing this reality, the Committee therefore expects that the real costs of these provisions will be minimal.

The subtitle establishes a new market development program for the more developed third world nations. A clear line of authority to USDA to run this program should clear up and simplify many of the administrative problems that have burdened Public Law 480. To the extent this authority is utilized, future additional appropriations would be required to keep the program whole.

The subtitle establishes a new Food for Freedom program. The existing Food for Progress program will expire with this bill. This provision should reduce Government storage and interest costs for CCC-held commodities. Realized losses of the CCC could increase, requiring a Congressional appropriation to restore CCC borrowing authority.

Some regulatory impact will occur which will primarily affect the suppliers, processors, carriers and recipient countries which participate in this new program. However, program participation is voluntary.

This subtitle abolishes the use of foreign agents by recipient countries, and requires USDA either to serve as the agent itself or to allow the recipient country to purchase agricultural commodities on a c&f (cost and freight) basis. This section also provides that the Secretary of Agriculture or the CCC may negotiate with the recipient country to receive fees for services provided as purchasing or shipping agent, in recognition of the additional staffing that will be required. Thus USDA will be able to recoup any additional costs caused by increased staffing requirements. These new procedures would require changes in program regulations.

Title II of Public Law 480 remains fundamentally unchanged, with several revisions.

The legislation provides that 2 percent of title II funds (about $13.5 million) is to be provided to PVOs and coops to expand existing and establishing new title II programs and to meet administrative, management, personnel and internal transportation and distribution costs. Since minimum tonnages are retained (and in fact modestly increased), the 2 percent figure represents a modest increase in program costs.

In the context of the increasing need for food aid generally, the Committee would like to be able to provide substantial additions to the minimum tonnage figures now in title II for emergency and

non-emergency programs. Because of the need to stay within budget limits, however, the Committee has provided only a modest increase of 25,000 metric tons per year (on a cumulative basis) to the overall minimum tonnage and non-emergency minimum tonnage figures. This increase will result in some increase in program costs.

The authorities for the farmer-to-farmer program, now in section 406 of Public Law 480 and section 1107 of the Food Security Act of 1985 have been combined into one section in title II. One-tenth of one percent of the funds available for Public Law 480 is made available for operations in developing countries; any additional funding which may be provided is available for operations in the middle-income countries and emerging democracies as well. This provision does not call for any increase in program costs.

A Food Aid Consultative Group is established to improve communication between AID and PVOs and cooperatives. While this will require some additional regulations, the overall regulatory impact of this improved communications process will be positive.

Every three years the Comptroller General is to select, with respect to the grant program, the concessional credit sales program and the title II program, five representative countries in each of the three geographic regions, and evaluate in those countries the uses of the commodities and of any local currency funds. The Comptroller General will report to the Congress on the evaluation. This will entail some additional administrative costs for the Comptroller General, but should ultimately result in program efficiencies.

SUBTITLES B AND C—COMMERCIAL TRADE

Many of the programs authorized in these subtitles are equivalent or similar to existing programs. The subtitles require that the Secretary or the Commodity Credit Corporation promulgate regulations to implement the programs.

The subtitles will result in some additional paperwork or recordkeeping requirements in the funding determinations and program evaluation by the Foreign Agricultural Service. Participants in the Marketing Assistance Program and Export Enhancement Program will be required to maintain records concerning the use of assistance provided under those programs.

The subtitles should reduce current paperwork and reporting requirements because they consolidate many reporting requirements and strike reports that are redundant or obsolete.

TITLE XII—CONSERVATION

In general, this title provides no new or burdensome regulatory provisions. Many of the conservation provisions established here are voluntary programs where commodity program and/or monetary incentives are provided to participants in exchange for compliance with certain conservation measures. Certain records are required to be maintained on pesticide use, but these records are to be kept by the producers themselves and made available to Federal or State agencies that are involved with pesticide use or any health or environmental issues related to the use of pesticides. The re-

mainder of the conservation provisions are modifications to existing programs, some of which are regulatory, but do not add to the regulatory burden of farmers.

The conservation reserve is extended to 1995, and certain new lands are made explicitly eligible for the program. The Wetlands Reserve Program (WRP) restores wetlands and protects them with easements. The Integrated Crop Management Program provides producers with certain commodity program incentives to plant resource conserving crop rotations that reduces erosion and improves the efficiency and effectiveness of agricultural inputs. The Water Quality Incentives Program provides farmers with incentive payments in exchange for 3-5 year agreements to adopt certain management incentives to reduce the potential of non-point source contamination.

All four of these programs are voluntary; the participant enters into an agreement with the Secretary to conform to certain program provisions in exchange for sizable cost-share payments, and/or rental payments or easement payments, or other incentives. The Committee anticipates that enough paperwork will be required under these provisions to ensure participant compliance with the agreements, but in no case should this paperwork be excessive or burdensome.

For the first time, producers who are certified to use restricted use pesticides are required to keep records of such use. However, producers who apply general use pesticides or who are not certified to apply restricted use pesticides are not required to keep records. The Secretary is required to maintain a database and publish periodic reports comprised of survey data gathered from the records. There is already within the Department a statistical collection unit that can accomplish this task.

In certain areas designated as environmentally sensitive by the State, the Secretary is required, upon the request of a producer, to prepare an on-farm plan which will assist producers in meeting State or Federal environmental laws. These plans can be prepared by the existing Soil Conservation Service, an agency within USDA which has already completed the development and approval of thousands of conservation compliance plans required by the Food Security Act of 1985.

A new farmland protection program is established to assist those States facing a loss of prime agricultural lands due to development. The program is entirely voluntary and requires a guarantee by the Secretary and some interest subsidy for qualifying States. The program will have long term beneficial impact on many States while requiring little in the way of paperwork or new regulation.

A limited change is made to the conservation compliance program, under which a tenant may be granted partial relief from sanctions as a result of actions of a landlord. The circumstances where this relief will be granted are limited, and the number of farmers affected are few. Limited regulations will be required to implement this provision and should create slight paperwork requirements for the few affected farmers.

Four limited changes are made to the swampbuster program. Some owners of areas that meet the technical definition of wetlands may drain these areas if the resulting effects are found to be

minimal. Farmers whose wetlands meet this condition should be eligible for this exemption with little paperwork or regulations. Other wetlands may be drained if the farmer voluntarily decides to conform to certain mitigation requirements. These requirements include a wetlands restoration plan that must be followed and a long-term commitment to protecting the restored wetland. Few regulations are needed to implement this provision, and although some paperwork will be required, it should not be excessive.

A third change to swampbuster modifies the existing sanction provisions by providing for limited sanctions under certain constrained circumstances. Farmers seeking relief will have to provide proof of meeting the conditions established under this provision, and must also restore the converted wetland that caused the violation in the first place. The paperwork and regulatory requirements are similar to those for the mitigation provision. The final change to swampbuster alters the point at which a violation occurs. This change will require modifications to existing regulations but should add no more paperwork requirements to the farmer.

TITLE XIII—CREDIT

The bill reaffirms Congressional intent that the Farmers Home Administration (FmHA) should exercise more supervision over its lending activities to America's farmers. This is consistent with the original intent of FmHA to be a "lender of last resort" by providing credit to riskier farm borrowers who could not qualify for commercial credit. The Committee has determined that such supervision is critical to maintaining the financial integrity of the Farmers Home Administration. A strong FmHA is critical to meeting the future credit needs of farming in the United States.

The bill also defines more clearly the intent of some of the provisions of the Agricultural Credit Act of 1987 (the "1987 Act") and follows up on some problems which have surfaced since the 1987 Act was implemented. Such problems include bad faith dealings on the part of borrowers and the ability of borrowers to qualify for debt forgiveness under the 1987 Act; inventory property problems with the conservation easement established and with the holding time required under current law; limits on the dollar amount allowed in debt forgiveness and the number of times a borrower can receive debt forgiveness; and the need to redirect FmHA to be a better quality lender, including increased supervision, minimum experience standards for borrowers and required training for loan officers, county committees and farmer borrowers. The Committee also deleted the Economic Emergency Loan program which the FmHA has not used for a number of years.

With respect to the Farm Credit System, the bill broadens the current authority on lending to marketers and processors so that these borrowers are not precluded from credit eligibility based on onfarm production.

Several modifications and clarifications of the 1987 Act are also made. These include restoring the first lien position for production credit associations that was inadvertently removed from the 1987 Act; eliminating the requirement that the System offer two carriers for each type of insurance; specifying that the Farm Credit Ad-

ministration Board is to run the Farm Credit Insurance Corporation so that a separate structure is not established; requiring system institutions to idenfity specifically guaranteed loans; eliminating the restriction that no assistance may be given if the cost of such assistance is greater than liquidating the bank; and removing the 5-day gap between elimination of the Temporary Assistance Board and the start up of the Farm Credit Insurance Corporation.

The Committee explicitly decided to streamline the regulatory burden of the farm credit programs by requiring the Secretary to look at ways to lessen paperwork in the FmHA loan making process and by requiring FmHA to adopt the forms and standards used by commercial lenders which tend to be less burdensome than those currently used by FmHA.

Regulations and requirements of this title are minimal. No additional amount of paperwork is anticipated as a result of these amendments. Moreover, the programs would not extend to or affect the personal privacy of individuals involved with programs covered under this title.

Title XIV—Research

Regulations and requirements under title XIV will have an impact on only those individuals and organizations who participate in these research and extension programs. The title authorizes one new program as well as expands several current research and extension programs.

The Secretary is required to promulgate regulations regarding the agricultural research and extension projects the Secretary administers and shall inform program participants of the purposes of such programs. USDA's activities in ground water, competitive grants, and sustainable agriculture are expanded. Legislation to protect against the theft of pets will require the Secretary to promulgate regulations.

In an effort to reduce costs and streamline research activities, several acts are repealed. The Agriculture Research Facilities Planning and Closure Study Commission is established to review all current and planned agricultural research facilities and to make recommendations regarding which facilities should be closed, realigned, consolidated or modernized.

The programs and regulations envisioned would not extend to or have an impact on the personal privacy of individuals involved with programs covered in title XIV.

Title XV—Forestry

The Forestry Title expands USDA's authority to enter into partnerships with state forest services, the private sector, and landowners for multiple resource management. These partnerships are voluntary in nature and, except as noted below, impose no additional regulatory burden. This and other provisions of the title may entail increases in Federal administrative costs.

The Secretary is required to monitor lands for which a landowner has received cost share assistance to assure that the landowner does not deviate from the cost shared practice for a 20 year period. The Secretary is required to monitor any interest in land that is

purchased under the Forest Legacy Program to assure that management practices are in compliance with the program's goals.

The title requires natural resource professionals to educate participants on the requirements of the various programs, but participation is voluntary. Thus there is no impact on individual personal privacy.

TITLE XVI—ORGANIC CERTIFICATION

Under the organic certification title, the USDA is required to promulgate regulations regarding standards developed for organic production pursuant to this Act. A National Organic Standards Board, whose members serve without compensation, is established to assist the Secretary in determining standards.

This title will aid taxpayers by requiring States to streamline and codify standards to meet Federal requirements, thus diminishing the need for a massive network of state and private regulatory agencies.

TITLE XVII—FRUITS AND VEGETABLES

The fruit and vegetable provisions under this title impose no new regulatory constraints on producers, and minimal impact on the personnel and administrative responsibilities of the Department. The studies and reviews of existing programs do not require the collection of additional data outside of current agency programs.

The expansion of section 8e(a) import restrictions under the Agricultural Marketing Agreement Act of 1937 (the "1937 Act") and the review and recommendations to improve current market expansion programs will enhance the ability of the domestic fruit and vegetable industry to compete fully and fairly in the market. Review and revision of current marketing standards for fruits and vegetables is expected to reduce pesticide use and production costs, and increase consumer satisfaction. Because marketing orders are, for the most part, approved on an annual basis, amending the regulations will not require significant new administrative activity. The bill requires only that review and amendments be made to marketing standards that affect commodities on which pesticides are used to improve cosmetic appearance.

For both the "Grown in the United States" voluntary labeling program and the national laboratory accreditation program, the USDA already has the regulatory structure and personnel in place to carry out the new requirements. The Department of Agriculture currently implements a program for pre-approved labeling of meat, eggs, and poultry products. For food products not regulated by USDA, the Secretary will cooperate with the Commissioner of the Food and Drug Administration (FDA). FDA already implements a labeling program that can incorporate the new provisions in its existing regulatory structure.

USDA now certifies laboratories for chemical testing of meat and poultry products through the Food Safety and Inspection Service. Therefore, the necessary regulatory structures, inspection facilities and personnel are already in place. USDA may also work with the Environmental Protection Agency (EPA) and FDA to utilize their facilities and expertise to test and analyze samples submitted for

certification purposes. It is expected that there will be some minimal economic impact on the laboratory industry due to reimbursement costs for certification of scientific and analytic capabilities for pesticide residue testing.

There is authorized to be appropriated $10 million for each of the next five fiscal years, for a total budgetary impact of $50 million, for research on the impact of food marketing policies and practices. This research is expected to encourage sustainable agriculture practices and to enhance marketing capabilities for fruits and vegetables produced by sustainable methods.

The Committee bill is not expected to significantly change current personnel requirements or administrative responsibilities for the EPA. Pesticide export regulation under the Federal Insecticide, Fungicide, and Rodenticide Act is enhanced by the Committee bill, but necessary regulatory structures and personnel are already in place at EPA to carry out this pesticide export reform.

The prior informed consent procedure, international notice of significant regulatory decisions, and tolerance cancellation and suspension provisions of the Committee bill strengthen existing procedures and policies of EPA and should not require additional personnel. Modest personnel increases for enforcement will be necessary to ensure that exporters comply with export prohibitions established under the Committee bill.

The regulatory action mandated by the bill will affect companies which develop, produce, formulate, and export chemicals. The U.S. chemical industry employs approximately one million people, 22,000 of which work on the production of 600 chemical active ingredients. Seven hundred to 1,000 of these employees work on pesticides which will be prohibited from export by the Committee bill. Thus, it is estimated that the bill could affect the work content of no more than one-tenth of one percent of total employees in the chemical industry.

Title XVIII—Grain Quality

The provisions of this title, for the most part, amend existing programs of USDA without creating new or additional regulatory or reporting requirements for individuals or businesses.

Amendments to the United States Grain Standards Act specify that grain grades and standards should serve the needs of end-users. This will likely result in some changes in grading factors and tolerances, as well as additional information being reported on grading certificates. No additional regulatory or reporting requirements for individuals or business are created by these amendments.

Amendments to the Agricultural Act of 1949 and the Commodity Credit Corporation Charter Act should result in modifications to commodity price support programs that reward quality. The distribution of commodity program benefits may be affected, but no additional regulatory or reporting requirements for individuals or businesses are created by these amendments.

TITLE XIX—RELATED AND MISCELLANEOUS MATTERS

SUBTITLE A—ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION

This subtitle establishes an independent, nonprofit, wholly-owned government corporation to assist the public and private sectors in developing and commercializing new industrial uses for agricultural and forestry products. The corporation will provide competitive grants for research on and development of new industrial uses, and business financing and technical assistance to commercialize these products.

The regulatory impact of this subtitle is minimal. Participation in the program is voluntary; regulations will affect only those individuals and organizations wishing to receive assistance. The program will not affect the personal privacy of individuals except to the extent that the Board of Directors, Regional Directors and Advisory Councils are required to disclose their financial interest in an applicant's project.

SUBTITLE B—GLOBAL CLIMATE CHANGE PREVENTION

This subtitle provides no new regulatory authority to the Federal Government nor does it impose any regulatory requirements on private entities.

ROLLCALL VOTES

In accordance with paragraphs 7(b) and 7(c) of Rule XXVI of the Standing Rules of the Senate, the following rollcall votes occurred during markup of the 1990 Farm Bill:

1. An amendment was offered by Senator Wilson to increase the authorization to $325 million for the Marketing Assistance Program. The amendment was defeated by a 1-17 vote as follows:

Yeas: Wilson.

Nays: Pryor (proxy), Boren (proxy), Heflin, Harkin, Conrad, Fowler (proxy), Daschle (proxy), Kerrey (proxy), Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell (proxy), Bond, Gorton, Leahy.

2. An amendment was offered by Senator Lugar to authorize the Secretary to increase or decrease the support price of wool and mohair by an amount equal to the percentage increase or decrease in the established price for program crops. The amendment was defeated by an 8-10 vote as follows:

Yeas: Lugar, Dole (proxy), Cochran, Boschwitz, McConnell, Bond (proxy), Wilson (proxy), Gorton (proxy).

Nays: Pryor (proxy), Boren, Heflin (proxy), Harkin (proxy), Conrad, Fowler, Daschle, Baucus, Kerrey (proxy), Leahy.

3. An amendment was offered by Senator Lugar to authorize the Secretary to increase or decrease the support price of honey by an amount equal to the percentage increase or decrease in the established price for program crops. The amendment was defeated by a 9-10 vote as follows:

Yeas: Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell, Bond (proxy), Wilson (proxy), Gorton (proxy).

Nays: Pryor (proxy), Boren (proxy), Heflin (proxy), Harkin (proxy), Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey (proxy), Leahy.

4. Senators Daschle and Fowler offered an amendment that would mandate the consideration of inclusion of windbreaks, shelterbelts, water quality sensitive areas, and marginal pastureland in the Conservation Reserve Program (CRP). Senators Lugar and Bond offered a second-degree amendment to ensure that the Secretary take into consideration equitable distribution of marginal pastureland from various regions of the country to the extent practicable. The Lugar-Bond amendment was defeated by a 5-14 vote as follows:

Yeas: Lugar, Boschwitz (proxy), Bond, Wilson (proxy), Gorton.

Nays: Pryor (proxy), Boren (proxy), Heflin (proxy), Harkin (proxy), Conrad, Fowler, Daschle, Baucus (proxy), Kerrey, Dole, Helms (proxy), Cochran, McConnell, Leahy.

5. Senator Bond offered an amendment to cap the enrollment of CRP acres at 45 million. The amendment was defeated by an 8-11 vote as follows:

Yeas: Conrad, Lugar, Dole (proxy), Boschwitz (proxy), McConnell, Bond, Wilson (proxy), Gorton.

Nays: Pryor (proxy), Boren (proxy), Heflin (proxy), Harkin (proxy), Fowler, Daschle (proxy), Baucus (proxy), Kerrey (proxy), Helms (proxy), Cochran, Leahy.

6. Senator Conrad offered an amendment to provide another opportunity for a borrower to receive a write-down under debt restructuring if there is a Presidentially declared disaster. The markup vehicle limited write-downs to one. The amendment was accepted by a 10-9 vote as follows:

Yeas: Pryor, Boren (proxy), Heflin, Harkin, Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey (proxy), Bond.

Nays: Lugar, Dole (proxy), Helms (proxy), Cochran (proxy), Boschwitz, McConnell (proxy), Wilson (proxy), Gorton, Leahy.

7. Senator Boschwitz offered an amendment to pay deficiency payments on 25 percent of the flexible acres. The amendment was defeated by a 5-13 vote as follows:

Yeas: Lugar, Dole (proxy), Boschwitz, McConnell, Bond.

Nays: Pryor, Heflin (proxy), Harkin, Conrad, Fowler (proxy), Daschle, Baucus, Kerrey (proxy), Helms (proxy), Cochran, Wilson (proxy), Gorton, Leahy.

8. Senator Lugar offered an amendment to delete the Sugar Title (Title IX) from the markup vehicle. The amendment was defeated by a 2-16 vote with one present as follows:

Yeas: Lugar, Gorton.

Nays: Pryor, Boren (proxy), Heflin (proxy), Harkin, Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell, Bond, Wilson (proxy).

Present: Leahy.

9. Senator Lugar offered an amendment to reduce the amount of the price support for sugar to a percentage corresponding to the simple average percentage by which the established price for the 1991 program crops is established. The amendment was defeated by a 5-12 vote with one present as follows:

Yeas: Lugar, Dole (proxy), McConnell, Bond, Gorton.

Nays: Pryor (proxy), Boren (proxy), Heflin (proxy), Harkin (proxy), Conrad, Fowler (proxy), Daschle (proxy), Baucus (proxy), Kerrey (proxy), Cochran, Boschwitz (proxy), Wilson (proxy).

Present: Leahy.

10. Senator Conrad offered an amendment to allow sugar producers to employ a 9 month loan, rather than a 6 month loan. The amendment was accepted by a 11-7 vote with one present as follows:

Yeas: Pryor (proxy), Boren (proxy), Heflin (proxy), Harkin (proxy), Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey (proxy), Boschwitz (proxy), Wilson (proxy).

Nays: Lugar, Dole (proxy), Helms (proxy), Cochran, McConnell, Bond, Gorton.

Present: Leahy.

11. Senator Wilson offered an amendment to strike language from the markup vehicle prohibiting States from having a greater "make allowance" than that provided under Federal law. The amendment was defeated by a 7-12 vote as follows:

Yeas: Lugar, Dole (proxy), Helms (proxy), Cochran, McConnell, Bond, Wilson.

Nays: Pryor (proxy), Boren (proxy), Heflin, Harkin, Conrad (proxy), Fowler, Daschle (proxy), Baucus, Kerrey (proxy), Boschwitz, Gorton, Leahy.

12. Senator Baucus offered an amendment to preclude a whole herd dairy buyout program for the 5 years of the farm bill. The amendment was accepted by a 16-2 vote as follows:

Yeas: Boren (proxy), Heflin, Harkin, Conrad, Fowler (proxy), Daschle, Baucus, Kerrey (proxy), Lugar, Dole (proxy), Helms (proxy), Cochran, McConnell, Bond, Wilson, Gorton.

Nays: Boschwitz, Leahy.

13. Senator Baucus offered an amendment to give express remedy in the Court of Claims to beef cattle producers who were injured as a consequence of USDA's improper application of the law during the whole herd dairy buyout program in 1986. The amendment was defeated by a 7-11 vote as follows:

Yeas: Boren (proxy), Harkin, Conrad, Fowler (proxy), Daschle, Baucus, Kerrey (proxy).

Nays: Pryor (proxy), Heflin, Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell, Bond (proxy), Gorton, Leahy.

14. Senator Lugar offered an amendment that the Secretary utilize a 25 to 50 cent price cut as one of the marketing adjustment mechanisms to carry out the marketing adjustment program for dairy in the markup vehicle. The amendment was defeated by a 7-12 vote as follows:

Yeas: Fowler (proxy), Lugar, Dole (proxy), Helms (proxy), Cochran, McConnell, Wilson (proxy).

Nays: Pryor (proxy), Boren (proxy), Heflin, Harkin, Conrad, Daschle, Baucus (proxy), Kerrey (proxy), Boschwitz, Bond (proxy), Gorton (proxy), Leahy.

15. Senator Baucus offered an amendment to increase target prices annually for program crops by an amount equal to the Consumer Price Index less 4.3 percent. The amendment was defeated by a 7-12 vote as follows:

Yeas: Heflin, Harkin, Conrad, Fowler (proxy), Daschle, Baucus, Kerrey.

Nays: Pryor, Boren, Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell, Bond (proxy), Wilson (proxy), Gorton, Leahy.

16. Senator Daschle offered an amendment to eliminate the Findley adjustment on loan rates. The amendment was defeated by a 7-11 vote as follows:

Yeas: Heflin (proxy), Harkin, Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey.

Nays: Pryor, Boren, Lugar, Dole, Helms (proxy), Cochran (proxy), Boschwitz, McConnell (proxy), Bond (proxy), Wilson (proxy), Gorton (proxy).

Present: Leahy.

17. Senator Daschle offered an amendment to eliminate the Findley adjustment on loan rates and establish a marketing loan for wheat and feed grains. The amendment was defeated by a 7-12 vote as follows:

Yeas: Heflin, Harkin, Conrad, Fowler (proxy), Daschle, Baucus (proxy), Kerrey.

Nays: Pryor, Boren, Lugar, Dole, Helms (proxy), Cochran (proxy), Boschwitz, McConnell (proxy), Bond (proxy), Wilson (proxy), Gorton (proxy), Leahy.

18. Senator Kerrey offered an amendment (modified by Senator Boren) on loan rates providing the Secretary with the option to choose the marketing loan with no Findley adjustment or the Findley adjustment with a 90 percent of each penny adjustment added to advanced deficiency payments. The amendment was defeated by a 9-10 vote as follows:

Yeas: Pryor, Boren, Heflin, Harkin, Conrad, Fowler (proxy), Baucus (proxy), Kerrey, Leahy.

Nays: Daschle, Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell (proxy), Bond, Wilson (proxy), Gorton (proxy).

19. Chairman Leahy offered a motion to report favorably the 1990 Farm Bill. The motion was approved by a 4-15 vote as follows:

Yeas: Pryor, Boren (proxy), Harkin, Conrad, Fowler (proxy), Kerrey, Lugar, Dole (proxy), Helms (proxy), Cochran, Boschwitz, McConnell, Bond, Wilson (proxy), Leahy.

Nays: Heflin, Daschle, Baucus, Gorton.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXIV of the Standing Rules of the Senate, changes in existing law made by the bill, as ordered reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE I—BASIC AGRICULTURAL COMMODITIES

[PRICE SUPPORT LEVELS]

SEC. 1101. * * *

[LOAN RATES AND TARGET PRICES FOR 1986 THROUGH 1990 RICE CROPS]

[SEC. 101A. Notwithstanding any other provision of law:

[(a)(1) Except as provided in paragraph (2), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1990 crops of rice at a level that is not less than—

[(A) in the case of the 1986 crop of rice, $7.20 per hundredweight; and

[(B) in the case of each of the 1987 through 1990 crops of rice, the higher of—

[(i) 85 percent of the simple average price received by producers, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of rice, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or

[(ii) $6.50 per hundredweight.

[(2) The loan level for any crop determined under paragraph (1)(B) may not be reduced by more than—

[(A) in the case of the 1987 crop, 5 percent from the level determined for the preceding crop;

[(B) in the case of the 1988 crop, 3 percent from the level determined for the preceding crop;

[(C) in the case of the 1989 crop, 5 percent from the level determined for the preceding crop, plus an additional 2 percent from the level determined for the preceeding crop if the Secretary determines that such additional percentage reduction is necessary to maintain a competitive market position for rice; and

[(D) in the case of the 1990 crop, 5 percent from the level determined for the preceding crop.

[(3) The loan and purchase level and the established price for each of the 1986 through 1990 crops of rice shall be announced not later than January 31 of each calendar year for the crop harvested in such calendar year.

[(4) A loan made under this section shall have a term of not more than 9 months beginning after the month in which the application for the loan is made.

[(5)(A) The Secretary shall permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

[(i) the loan level determined for such crop; or

[(ii) the higher of—

[(I) the loan level determined for such crop multiplied by 50 percent for each of the 1986 and 1987 crops, 60 per-

cent for the 1988 crop, and 70 percent for each of the 1989 and 1990 crops; or

[(II) the prevailing world market price for rice, as determined by the Secretary.

[(B) The Secretary shall prescribe by regulation—

[(i) a formula to define the prevailing world market price for rice; and

[(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for rice.

[(C)(i) As a condition of permitting a producer to repay a loan as provided in subparagraph (A), the Secretary may require a producer to purchase marketing certificates equal in value to an amount that does not exceed one-half the difference, as determined by the Secretary, between the amount of the loan obtained by the producer and the amount of the loan repayment. Such certificates shall be negotiable.

[(ii) Such certificates shall be redeemable for rice owned by the Commodity Credit Corporation valued at the prevailing market price, as determined by the Secretary. If such rice is not available in the State in which the rice pledged as collateral for the loan was produced or at such other location outside of such State as may be approved by the owner of such certificate, such certificate shall be redeemable in cash.

[(iii) The Commodity Credit Corporation, under regulations prescribed by the Secretary, shall assist any person receiving marketing certificates under this subparagraph in the redemption or marketing of such certificates. Insofar as practicable, the Secretary shall permit an owner of a certificate to designate the storage facility at which such owner would prefer to receive rice in exchange for such certificate.

[(iv) If any such certificate is not presented for redemption or marketing within a reasonable number of days after issuance, as determined by the Secretary, reasonable costs of storage and other carrying charges, as determined by the Secretary, shall be deducted from the value of the certificate for the period beginning after such reasonable number of days and ending with the date of the presentation of such certificate to the Commodity Credit Corporation.

[(6) For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

[(b)(1) The Secretary may, for each of the 1986 through 1990 crops of rice, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining such loan or agreement in return for such payments.

[(2) A payment under this subsection shall be computed by multiplying—

[(A) the loan payment rate; by

[(B) the quantity of rice the producer is eligible to place under loan.

[(3) For purposes of this subsection, the quantity of rice eligible to be placed under loan may not exceed the product obtained by multiplying—

[(A) the individual farm program acreage for the crop; by

[(B) the farm program payment yield established for the farm.

[(4) For the purposes of this subsection, the loan payment rate shall be the amount by which—

[(A) the loan determined for such crop under subsection (a); exceeds

[(B) the level at which a loan may be repaid under subsection (a).

[(5) The Secretary shall make up to one-half the amount of a payment under this subsection available in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(C).

[(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1990 crops of rice in an amount computed by multiplying—

[(i) the payment rate; by

[(ii) the individual farm program acreage; by

[(ii) the farm program payment yield established for the crop for the farm.

[(B)(i) If an acreage limitation program under subsection (f)(2) is in effect for a crop of rice and the producers on a farm devote a portion of the permitted rice acreage of the farm (as determined in accordance with subsection (f)(2)(A)) equal to more than 8 percent of the permitted rice acreage of the farm for the crop, or all of such permitted acreage (as provided in subclause (II) of clause (ii)), to conservation uses (except as provided in subparagraph (G))—

[(I) such portion (or all) of the permitted rice acreage in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (G)) shall be considered to be planted to rice for the purpose of determining the individual farm program acreage in accordance with subsection (f)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (f)(2)(D); and

[(II) the producers shall be eligible for payments under this paragraph on such acreage, subject to the compliance of the producers with clause (ii).

[(ii)(I) To be eligible for payments under clause (i), except as provided in subclause (II) and clause (iii), the producers on the farm must actually plant rice for harvest on at least 50 percent of the permitted rice acreage of the farm.

[(II) Effective for the 1987 crop, producers of rice on a farm shall not be subject to the 50 percent planting requirement, and may devote all or any portion of the farm's 1987 permitted rice acreage to conservation uses (or other uses as provided in subparagraph (G)) under the program under this subparagraph, if the farm is, during the normal planting season for such crop, subject to flooding on at least 50 percent of the permitted rice acreage of the farm as the result of damage to a levee from flooding that occurred in 1986 and the farm is located in a county in which producers are

eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of such disaster.

[(iii) If a State or local agency has imposed in an area of a State or county a quarantine on the planting of rice for harvest on farms in such area, the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (17 U.S.C. 590h(b)) may recommend to the Secretary that payments be made under this paragraph, without regard to the requirement imposed under clause (ii), to producers in such area who were required to forgo the planting of rice for harvest on acreage to alleviate or eliminate the condition requiring such quarantine. If the Secretary determines that such condition exists, the Secretary may make payments under this paragraph to such producers. To be eligible for payments under this clause, such producers must devote such acreage to conservation uses (except as provided in subparagraph (G)).

[(iv) The rice crop base and rice farm program payment yield of the farm shall not be reduced due to the fact that such portion (or all) of the permitted acreage of the farm was devoted to conserving uses (except as provided in subparagraph (G)) under this subparagraph.

[(v) Other than as provided in clauses (i) through (iv), payments may not be made under this subsection for any crop on a greater acreage than the acreage actually planted to rice.

[(vi) Any acreage considered to be planted to rice in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

[(C) The payment rate for rice shall be the amount by which the established price for the crop of rice exceeds the higher of—

[(i) the national average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

[(ii) the loan level determined for such crop.

[(D) The established price for rice shall not be less than $11.90 per hundredweight for the 1986 crop, $11.66 per hundredweight for the 1987 crop, $11.15 per hundredweight for the 1988 crop, $10.80 per hundredweight for the 1989 crop, and $10.71 per hundredweight for the 1990 crop.

[(E) The total quantity of rice on which payments would otherwise be payable to a producer on a farm for any crop under this subsection shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

[(F) The Secretary may pay not more than 5 percent of the total amount of a payment made under this paragraph in the form of rice. The use of rice in making payments to producers shall be subject to a determination by the Secretary of the effect that such in-kind payments will have on market prices for any commodity. The Secretary shall report such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(G) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

[(i) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

[(ii) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of the United States industry.

[(2)(A)(i) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

[(I) the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage that the producers were prevented from planting to rice or other nonconserving crops in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

[(II) 75 percent of the farm program payment yield established for the farm by the Secretary; by

[(III) a payment rate equal to 22⅓ percent of the established price for the crop.

[(ii) Payments made by the Secretary under this subparagraph may be made in the form of cash or from stocks or rice held by the Commodity Credit Corporation.

[(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of rice that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the farm program yield established for the farm for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

[(C) Producers on a farm shall not be eligible for—

[(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the rice acreage of the producers; or

[(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the rice acreage of the producers.

[(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to producers on a farm under this subsectoin if the Secretary determines that—

[(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields;

[(II) such losses have created an economic emergency for the producers;

[(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses is insufficent to alleviate such economic emergency; and

[(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

[(ii) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

[(d)(1)(A) Except for a crop with respect to which there is an acreage limitation program in effect under subsection (f), the Secretary shall proclaim a national program acreage for each of the 1986 through 1990 crops of rice. The proclamation shall be made not later than January 31 of each calendar year for the crop harvested in that calendar year.

[(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

[(C) The national program acreage for rice shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

[(D) If the Secretary determines that carryover stocks of rice are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by

the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

[(2) The Secretary shall determine a program allocation factor for each crop of rice. The allocation factor for rice shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop. In no event may the allocation factor for any crop of rice be more than 100 percent nor less than 80 percent.

[(3)(A) The individual farm program acreage for each crop of rice shall be determined by multiplying the allocation factor by the acreage of rice planted for harvest on the farms for which individual farm program acreages are required to be determined.

[(B) The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of rice planted for harvest on the farm from the crop acreage base established for the farm under title V by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

[(C) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of rice planted for harvest is less than the crop acreage base established for the farm under title V, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

[(D) In establishing the allocation factor for rice, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this subsection.

[(e) The farm program payment yields for farms for each crop of rice shall be determined under title V.

[(f)(1)(A) Notwithstanding any other provision of this Act, if the Secretary determines that the total supply of rice, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of rice an acreage limitation program as described in paragraph (2).

[(B) In making a determination under clause (i), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under section 1231 of the Food Security Act of 1985.

[(C) If the Secretary elects to put an acreage limitation program into effect for any crop year, the Secretary shall announce any such program not later than January 31 of the calendar year in which the crop is harvested.

[(D) The Secretary shall, to the maximum extent practicable, carry out an acreage limitation program described in paragraph (2) for a crop of rice in a manner that will result in a carryover of 30 million hundredweight of rice.

[(2)(A) If a rice acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction (not to exceed 35 percent) to the rice crop acreage base for the crop for each rice-producing farm.

[(B) Except as provided in subsection (g), producers who knowingly produce rice in excess of the permitted rice acreage for the

farm, as established in accordance with subparagraph (A), shall be ineligible for rice loans, purchases, and payments with respect to that farm.

[(C) Rice crop acreage bases for each crop of rice shall be determined under title V.

[(D)(i) A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by dividing—

[(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of rice times the number of acres planted to such commodity; by

[(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary.

[(ii) The number of acres determined under clause (i) is hereafter in this subsection referred to as "reduced acreage".

[(E) If an acreage limitation program is announced under paragraph (1) for a crop of rice, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. Except as provided in subsection (c)(1)(B), the individual farm program acreage shall be the acreage planted on the farm to rice for harvest within the permitted rice acreage for the farm as established under this paragraph.

[(3)(A) The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

[(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago, ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

[(C)(i) Except as provided in clauses (ii) and (iii), haying and grazing of acreage designated as conservation use acreage for the purpose of meeting any requirements established under an acreage limitation program (including a program conducted under subsection (c)(1)(B)), set-aside program, or land diversion progran established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. Such 5-month period shall be established during the period beginning April 1, and ending October 31, of a year.

[(ii) In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on such acreage.

[(iii) Haying and grazing shall not be permitted for any crop under clause (i) if the Secretary determines that haying and grazing would have an adverse economic effect.

[(4)(A) The Secretary may make land diversion payments to producers of rice, whether or not an acreage limitation program for

rice is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

[(B) The amounts payable to producers under land diversion contract may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

[(C) The Secretary shall limit the total acreage to be diverted under agreements in any county of local community so as not to affect adversely the economy of the county or local community.

[(5)(A) The reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

[(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

[(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

[(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

[(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such ageement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

[(g)(1) The Secretary may, for each of the 1986 through 1990 crops of rice, make payments available to producers who meet the requirements of this subsection.

[(2) Such payments shall be—

[(A) made in the form of rice owned by the Commodity Credit Corporation; and

[(B) subject to the availability of such rice.

[(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

[(B) The quantity of rice to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

[(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

[(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

[(B) agrees to forgo receiving payments under subsection (c);

[(C) does not plant rice for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

[(D) otherwise complies with this section.

[(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

[(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

[(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

[(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

[(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

[(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

[(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

[(n)(1) Notwithstanding any other provision of law, except as provided in paragraph (2), compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibilty for loans, purchases, or payments under this section.

[(2) The Secretary may require that, as a condition of eligibility of producers on the farm for loans, purchases, or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program in effect shall not exceed the crop acreage base established for the farm for that commodity.

[(3) The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payment under this section for such farm, to comply with the terms and conditions of the rice program with respect to any other farm operated by such producers.]

SEC. 101A. LOANS, PAYMENTS, AND ACREAGE REDUCTION PROGRAMS FOR THE 1991 THROUGH 1995 CROPS OF RICE.

(a) LOANS AND PURCHASES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary shall make available to producers on a farm nonrecourse loans and purchases for each of the 1991 through 1995

crops of rice produced on the farm at a level that is not less than the higher of—

(A) 85 percent of the simple average price received by producers, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of rice, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; or

(B) $6.50 per hundredweight.

(2) MAXIMUM REDUCTION.—The loan level for any crop of rice determined under paragraph (1) may not be reduced by more than 5 percent from the level determined for the preceding crop.

(3) ANNOUNCEMENT.—The loan and purchase level and the established price for each of the 1991 through 1995 crops of rice shall be announced not later than January 31 of each calendar year for the crop harvested in the calendar year.

(4) TERM.—A loan made under this subsection shall have a term of not more than 9 months beginning after the month in which the application for the loan is made.

(5) REPAYMENT.—

(A) IN GENERAL.—In order to ensure that a competitive market position is maintained for rice, the Secretary shall permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

(i) the loan level determined for the crop; or

(ii) the higher of—

(I) the loan level determined for the crop multiplied by 70 percent; or

(II) the prevailing world market price for rice, as determined by the Secretary.

(B) PREVAILING WORLD MARKET PRICE.—The Secretary shall prescribe by regulation—

(i) a formula to define the prevailing world market price for rice; and

(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for rice.

(C) NEGOTIABLE MARKETING CERTIFICATES.—

(i) IN GENERAL.—As a condition of permitting a producer to repay a loan as provided in subparagraph (A), the Secretary may require a producer to purchase marketing certificates equal in value to an amount that does not exceed one-half the difference, as determined by the Secretary, between the amount of the loan obtained by the producer and the amount of the loan repayment. The certificates shall be negotiable.

(ii) REDEMPTION FOR RICE OR CASH.—The certificates shall be redeemable for agricultural commodities owned by the Commodity Credit Corporation valued at the prevailing market price, as determined by the Secretary or for cash, under such terms and conditions as the Secretary may prescribe.

(iii) REDEMPTION MARKETING, OR EXCHANGE.—The Commodity Credit Corporation, under regulations pre-

scribed by the Secretary, shall assist any person receiving marketing certificates under this subparagraph in the redemption or marketing or exchange of the certificates at such times, in such manner, and at such price levels as the Secretary determines will best effectuate the purposes of the program established under this section.

(iv) CHARGES.—If any such certificate is not presented for redemption or marketing within a reasonable number of days after issuance as determined by the Secretary, reasonable costs of storage and other carrying charges, as determined by the Secretary, shall be deducted from the value of the certificate for the period beginning after the reasonable number of days and ending with the date of the presentation of the certificate to the Commodity Credit Corporation.

(v) DESIGNATION OF COMMODITIES AND PRODUCTS.—Insofar as practicable, the Secretary shall permit owners of certificates to designate the commodities and the products thereof, including storage sites thereof, the owners would prefer to receive in exchange for certificates.

(vi) SALES PRICE RESTRICTIONS.—Nothwithstanding any other provision of law, any price restrictions that may otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subparagraph.

(vii) DISPLACEMENT.—The Secretary of Agriculture shall take such measures as may be necessary to prevent the marketing or exchange of agricultural commodities and the products thereof for certificates under this subparagraph from adversely affecting the income of producers of the commodities or products.

(viii) TRANSFERS.—Under regulations prescribed by the Secretary of Agriculture, certificates issued under this subparagraph may be transferred to other persons approved by the Secretary.

(D) MAINTAINING COMPETITIVENESS.—

(i) IN GENERAL.—Notwithstanding any other provision of law, whenever, during the period beginning August 1, 1991, and ending July 31, 1996, the world price for a class of rice (adjusted to United States qualities and location), as determined by the Secretary, is below the current loan repayment rate for that class of rice, to make United States rice competitive in world markets and to maintain and expand exports of rice produced in the United States, the Commodity Credit Corporation, under regulations, shall make payments, through the issuance of negotiable marketing certificates, to persons who have entered into an agreement with the Commodity Credit Corporation to participate in the program established under this subparagraph. The payments shall be made in such monetary

amounts and subject to such terms and conditions as the Secretary determines will make rice produced in the United States available at competitive prices consistent with the purposes of this subparagraph.

(ii) VALUE.—The value of each certificate issued under this subparagraph shall be based on the difference between—

(I) the loan repayment rate for the class of rice; and

(II) the prevailing world market price for the class of rice, as determined by the Secretary.

(iii) TERMS AND CONDITIONS OF CERTIFICATES.—Negotiable marketing certificates issued under this subparagraph shall be subject to the same terms and conditions as certificates issued under subparagraph (C).

(6) SIMPLE AVERAGE PRICE.—For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(b) LOAN DEFICIENCY PAYMENTS.—

(1) IN GENERAL.—The Secretary shall, for each of the 1991 through 1995 crops of rice, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement in return for payments under this subsection.

(2) COMPUTATION.—A payment under this subsection shall be computed by multiplying—

(A) the loan payment rate; by

(B) the quantity of rice the producer is eligible to place under loan (or obtain a purchase agreement) but forgoes obtaining the loan or agreement in return for payments under this subsection.

(3) LOAN PAYMENT RATE.—For purposes of this subsection, the loan payment rate shall be the amount by which—

(A) the loan level determined for the crop under subsection (a); exceeds

(B) the level at which a loan may be repaid under subsection (a).

(4) NEGOTIABLE MARKETING CERTIFICATES.—The Secretary may make up to one-half the amount of a payment under this subsection available in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(C).

(c) PAYMENTS.—

(1) DEFICIENCY PAYMENTS.—

(A) IN GENERAL.— The Secretary shall make available to producers payments (also referred to in this section as "deficiency payments") for each of the 1991 through 1995 crops of rice in an amount computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop for the farm.

(B) PAYMENT RATE.—The payment rate for rice shall be the amount by which the established price for the crop of rice exceeds the higher of—

(i) the national average market price received by producers during the first 5 months of the marketing year for the crop, as determined by the Secretary; or

(ii) the loan level determined for the crop.

(C) ESTABLISHED PRICE.—The established price for rice shall not be less than $10.71 per hundredweight for each of the 1991 through 1995 crops.

(D) DEVOTING PERMITTED ACREAGE TO CONSERVATION USES.—

(i) ACREAGE CONSIDERED PLANTED.—If an acreage limitation program under subsection (e)(2) is in effect for a crop of rice and the producers on a farm devote a portion of the permitted rice acreage of the farm (as determined in accordance with subsection (e)(2)(A)) equal to more than 8 percent of the permitted upland cotton acreage of the farm for the crop to conservation uses (except as provided in subparagraph (E))—

(I) such portion of the permitted rice acreage in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (E)) shall be considered to be planted to rice for the purpose of determining the individual farm program acreage in accordance with subsection (e)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (e)(2)(D); and

(II) the producers shall be eligible for payments under this paragraph with respect to such acreage, subject to the compliance of the producers with clause (ii).

(ii) MINIMUM PLANTING REQUIREMENT.—To be eligible for payments under clause (i), except as provided in clauses (iv) and (v), the producers on the farm must actually plant rice for harvest on at least 50 percent of the permitted rice acreage of the farm.

(iii) DEFICIENCY PAYMENTS.—Notwithstanding any other provision of this section, any producer who devotes a portion of the permitted rice acreage of the farm to conservation uses (or other uses as provided in subparagraph (E)) under this subparagraph shall receive deficiency payments on the acreage that is considered to be planted to rice and eligible for payments under this subparagraph for the crop at a rate established by the Secretary.

(iv) QUARANTINES.—If a State or local agency has imposed in an area of a State or county a quarantine on the planting of rice for harvest on farms in the area, the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) may recommend to the Secretary that

payments be made under this paragraph, without regard to the requirement imposed under clause (ii), to producers in the area who were required to forgo the planting of rice for harvest on acreage to alleviate or eliminate the condition requiring the quarantine. If the Secretary determines that the condition exists, the Secretary may make payments under this paragraph to the producers. To be eligible for payments under this clause, the producers must devote the acreage to conservation uses (except as provided in subparagraph (E)).

(v) PREVENTED PLANTING.—If an acreage limitation program under subsection (e) is in effect for any crop of rice and if the Secretary determines that producers on a farm are prevented from planting the acreage intended for rice to rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make available to such producers payments under this subparagraph without regard to the requirement imposed under clause (ii). To be eligible for payments under this clause, the producers must devote the acreage to conservation uses (except as provided in subparagraph (E)). Any such acreage shall be considered to be planted to rice.

(vi) CROP ACREAGE AND PAYMENT YIELD.—The rice crop acreage base and rice farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted rice acreage of the farm was devoted to conserving uses (except as provided in subparagraph (E)).

(vii) LIMITATION.—Other than as provided in clauses (i) through (vi), payments may not be made under this paragraph for any crop on a greater acreage than the acreage actually planted to rice.

(viii) CONSERVATION USE ACREAGE UNDER OTHER PROGRAMS.—Any acreage considered to be planted to rice in accordance with clauses (i) and (vi) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

(E) PLANTING OTHER CROPS ON CONSERVATION USE ACREAGE.—

(i) INDUSTRIAL AND OTHER CROPS.—The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (D) to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be im-

ported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit the acreage to be devoted to the production only if the Secretary determines that—

(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of United States industry.

(ii) OILSEEDS.—The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (D) to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). In implementing this clause, the Secretary shall provide that, in order to receive payments under subparagraph (D), the producers shall agree to forgo eligibility to receive a loan under section 205 for the crop of any such oilseeds produced on the farm.

(F) REDUCTION FOR DISASTER PAYMENTS.—The total quantity of rice on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(2) DISASTER PAYMENTS.—

(A) PREVENTED PLANTING.—Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtrained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage that the producers were prevented from planting to rice or other nonconserving crops in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established for the farm by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the established price for the crop.

(B) REDUCED YIELDS.—Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of rice that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the farm program payment yield established by the Secretary for the crop by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

(C) CROP INSURANCE.—Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the rice acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the rice acreage to the producers.

(D)— ADMINISTRATION.—

(i) ECONOMIC EMERGENCIES.—Notwithstanding subparagraph (C), the Secretary may make a disaster payment to the producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields;

(II) the losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to the producers for the losses are insufficient to alleviate the economic emergency; and

(IV) additional assistance must be made available to the producers to alleviate the economic emergency.

(ii) ADJUSTMENTS.—The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to ensure the equitable allotment of the payments among producers, taking into account other

forms of Federal disaster assistance provided to the producers for the crop involved.

(d) PAYMENT YIELDS.—The farm program payment yields for farms for each crop of rice shall be determined under title V.

(e) ACREAGE REDUCTION PROGRAMS.—

(1) IN GENERAL.—

(A) ESTABLISHMENT.—Notwithstanding any other provision of this Act, if the Secretary determines that the total supply of rice, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of rice an acreage limitation program as described in paragraph (2).

(B) CONSERVATION STEWARDSHIP PROGRAM.—In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

(C) ANNOUNCEMENTS.—If the Secretary elects to implement an acreage limitation program for any crop year, the Secretary shall announce any such program not later than January 31 of the calendar year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactement of this section.

(D) CARRYOVER.—The Secretary shall carry out an acreage limitation program described in paragraph (2) for a crop of rice in a manner that will result in carryover stocks equal to 16.5 to 20 percent of the simple average of the total disappearance of rice for each of the 3 marketing years preceding the year for which the announcement is made. For the purpose of this subparagraph, the term 'total disappearance' means all rice utilization, including total domestic, total export, and total residual disappearance.

(2) ACREAGE LIMITATION PROGRAM.—

(A) PERCENTAGE REDUCTIONS.—Except as provided in paragraph (3), if a rice acreage limitation program is announced under paragraph (1) the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 35 percent) to the rice crop acreage base for the crop for each rice-producing farm.

(B) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—Except as provided in section 505, producers who knowingly produce rice in excess of the permitted rice acreage for the farm, as established in accordance with subparagraph (A), shall be ineligible for rice loans, purchases, and payments with respect to that farm.

(C) CROP ACREAGE BASES.—Rice crop acreage bases for each crop of rice shall be determined under title V.

(D) ACREAGE DEVOTED TO CONSERVATION USES.—A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying

the rice crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is hereinafter in this subsection referred to as 'reduced acreage'. The remaining acreage is hereinafter in this subection referred to as "permitted acreage".

(E) INDIVIDUAL FARM PROGRAM ACREAGE.—Except as otherwise provided in subsection (c), the individual farm program acreage shall be the acreage planted on the farm to rice for harvest within the permitted rice acreage for the farm as established under this paragraph.

(F) PLANTING OILSEEDS OR OTHER CROPS ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm.

(ii) LIMITATIONS.—If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph—

(I) the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops; and

(II) the Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that this subparagraph will result in no additional cost to the Commodity Credit Corporation.

(G) PLANTING EXPERIMENTAL OR INDUSTRIAL NONPROGRAM CROPS, OR HARVESTING CONSERVING CROPS, ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may elect to—

(I) devote reduced acreage to an experimental or industrial nonprogram crop; or

(II) harvest a conserving crop on reduced acreage, determined and announced by the Secretary (hereinafter in this subparagraph referred to as an 'approved crop').

(ii) LIMITATIONS.—If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each

acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be make with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

(3) TARGETED OPTION PAYMENTS.—

(A) IN GENERAL.—Notwithstanding any other provision of this section, if the Secretary implements an acreage limitation program with respect to any of the 1991 through 1995 crops of rice and announces an acreage limitation percentage of 20 percent or less, the Secretary shall make available to producers on a farm who do not receive payment under subsection (c)(1)(D) for such crop on the farm, adjustments in the level of deficiency payments that would otherwise be made available to the producers if the producers exercise the payment options provided in this paragraph.

(B) PAYMENT OPTIONS.—The Secretary shall make the payment options specified in subparagraphs (C) and (D) available to producers who agree to make adjustments in the quantity of acreage diverted from the production of rice under an acreage limitation program in accordance with this paragraph.

(C) INCREASED ACREAGE LIMITATION OPTION—

(i) INCREASE IN ESTABLISHED PRICE.—A producer shall be eligible to receive an increase in the established price for rice under clause (ii) if the producer agrees to an increase in the acreage limitation percentage to be applied to the producers rice acreage base above the acreage limitation percentage announced by the Secretary.

(ii) MEHTOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who participate in the program under this paragraph, the Secretary shall increase the established price for rice by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' rice acreage base.

(iii) LIMITATION.—The acreage limitation percentage to be applied to the producers' rice acreage base shall not be increased by more than 5 percentage points above the acreage limitation percentage announced by the Secretary.

(D) DECREASED ACREAGE LIMITATION.—

(i) DECREASE IN ACREAGE LIMITATION REQUIREMENT.—A producer shall be eligible to decrease the acreage limitation percentage applicable to the producers' rice acreage (as announced by the Secretary) if the producer agrees to a decrease in the established price

for rice under clause (ii) for the purpose of calculating deficiency payments to be made available to the producer.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who choose the option set forth in this subparagraph, the Secretary shall decrease the established price for rice by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' rice acreage base.

(iii) LIMITATION.—A producer may not choose to decrease the acreage limitation percentage applicable to the producers' rice acreage base under this paragraph by more than one-half of the announced acreage limitation percentage.

(E) PARTICIPATION AND PRODUCTION EFFECTS.—Notwithstanding any other provision of this paragraph, the Secretary shall, to the extent practicable, ensure that the program provided for in this paragraph does not have a significant effect on program participation or total production.

(4) ADMINISTRATION.—

(A) PROTECTION FROM WEEDS AND EROSION.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall assure protection of the acreage from weeds and wind and water erosion.

(B) ANNUAL OR PERENNIAL COVER.—

(i) IN GENERAL.—Except as provided in paragraph (2), a producer who participates in an acreage reduction program established for a crop of rice under this subsection shall be required to plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the acreage that is required to be removed from the production of rice, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop.

(ii) PERENNIAL COVER.—

(I) COST-SHARE ASSISTANCE.—If a producer elects to establish a perennial cover on the acreage, the Commodity Credit Corporation shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on not more than 50 percent of the acreage that is required to be diverted from production, but not to exceed 5 percent of the crop acreage base established for a crop.

(II) AGREEMENT OF PRODUCER.—If a producer elects to establish a perennial cover on the acreage under this subparagraph and receives cost-share assistance from the Corporation with respect to the cover, the producer, under such terms and conditions as may be prescribed by the Secretary, shall

agree to maintain the perennial cover for a minimum of 3 years.

(iii) CONSERVING CROPS.—Norwithstanding any other provision of this subparagraph, the Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(C) HAYING AND GRAZING.—

(i) IN GENERAL.—Except as provided in clause (ii), haying and grazing of reduced acreage, acreage devoted to a conservation use under subsection (c)(1)(D)), and acreage diverted from production under a land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State committee shall announce the establishment of the 5-month period no later than January 1 of each year.

(ii) NATURAL DISASTERS.—In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on the acreage.

(D) ADDITIONAL PRACTICES.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent to its conversion to water storage uses.

(5) LAND DIVERSION PAYMENTS.—

(A) IN GENERAL.—The Secretary may make land diversion payments to producers of rice, whether or not an acreage limitation program for rice is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. The land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with the producers.

(B) AMOUNTS.—The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) ADVERSE EFFECTS ON COUNTY OR LOCAL COMMUNITY.—The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6) CONSERVATION PRACTICES.—

(A) WILDLIFE FOOD PLOTS OR HABITAT.—Any reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph.

(B) PUBLIC ACCESSIBILITY.—The Secretary may provide for an additional payment on the acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7) PARTICIPATION AGREEMENTS.—

(A) EXECUTION.—Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe.

(B) TERMINATION OR MODIFICATION.—The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement, if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of rice.

(f) INVENTORY REDUCTION PAYMENTS.—

(1) IN GENERAL.—The Secretary shall, for each of the 1991 through 1995 crops of rice, make payments available to producers who meet the requirements of this subsection.

(2) FORM.—The payments may be made in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(C).

(3) PAYMENTS.—Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(4) ELIGIBILITY.—A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

(B) agrees to forgo receiving payments under subsections (b) and (c);

(C) does not plant rice for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (e); and

(D) otherwise complies with this section.

(g) DEFAULTS; WAIVER OF DEADLINES.—

(1) DEFAULTS.—If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) WAIVER OF DEADLINES.—The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet the other requirements does not affect adversely the operation of the program.

(h) REGULATIONS.—The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(i) COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(j) ASSIGNMENT OF PAYMENTS.—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(k) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(l) TENANTS AND SHARECROPPERS.—The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(m) CROSS-COMPLIANCE.—

(1) IN GENERAL.—Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments under this section.

(2) COMPLIANCE ON OTHER FARMS.—The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments under this section for the farm,

to comply with the terms and conditions of the rice program with respect to any other farm operated by the producers.

(n) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of rice.

SEC. 102. * * *

SEC. 103a. * * *

b. * * *

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(h)(1) For purposes of this subsection, extra long staple cotton means cotton which is produced from pure strain varieties of the Barbadense species or any hybrid thereof, or other similar types of extra long staple cotton, designated by the Secretary, having characteristics needed for various end uses for which American upland cotton is not suitable and grown in irrigated cotton-growing regions of the United States designated by the Secretary or other areas designated by the Secretary as suitable for the production of such varieties or types and which is ginned on a roller-type gin or, if authorized by the Secretary, ginned on another type gin for experimental purposes.

(2) The Secretary shall, upon presentation of warehouse receipts reflecting accrued storage charges of not more than sixty days, make available to producers nonrecourse loans for a term of ten months from the first day of the month in which the loan is made at a level which is not less than 85 percent of the simple average price received by producers of extra long staple cotton, as determined by the Secretary, during 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period. If authorized by the Secretary, nonrecourse loans provided for in this subsection may, upon request of the producer during the tenth month of the loan period for the cotton, be made available for an additional term of eight months. The loan level for any crop of extra long staple cotton shall be determined and announced by the Secretary not later than December 1 of the calendar year preceding the marketing year for which such loan is to be effective and such level shall not thereafter be changed.

(3)(A) In addition, payments shall be made for each crop of extra long staple cotton to producers on each farm at a rate equal to the amount by which the higher of—

(i) the average market price received by farmers for extra long staple cotton during the first eight months of the marketing year for such crop, as determined by the Secretary, or

(ii) the loan level determined under paragraph (2) of this subsection for such crop.

is less than the established price per pound times, in each case, the farm program acreage for extra long staple cotton (determined in accordance with paragrpah (6) or paragraph (8)(A) of this subsection, but in no event on a greater acreage than the acreage actually planted to extra long staple cotton for harvest), multiplied by the farm program payment yield for extra long staple cotton (determined in accordance with paragraph (7) of this subsection).

(B) Except as provided in clause (ii), the established price for each crop of extra long staple cotton shall be 120 per centum of the loan level determined for such crop under paragraph (2) of this subsection.

(ii) In the case of each of the 1988 and 1989 crops of extra long staple cotton, the established price for each such crop shall be 118.3 percent of the loan level determined for such crop under paragraph (2).

(C) If the Secretary establishes an acreage limitation program for a crop of extra long staple cotton in accordance with paragraph (8)(A) of this subsection and determines that deficiency payments will likely be made for such crop of extra long staple cotton under subparagraph (A) of this paragraph, the Secretary may make available advance deficiency payments for such crop to producers who agree to participate in the acreage limitation program. Such advance payments shall be made available to producers as soon as practicable after the producer files a notice of intention to participate in such acreage limitation program and in such amount as the Secretary determines appropriate to encourage adequate participation in such program, except that such amount shall not exceed an amount determined by multiplying (i) the estimated farm program acreage for the crop, by (ii) the farm program payment yield for the crop, by (iii) 50 per centum of the projected payment rate, as determined by the Secretary. In any case in which the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under subparagraph (A) of this paragraph, is less than the amount paid to the producer as an advance deficiency payment under this paragraph, the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer. If the Secretary determines that no deficiency payments are due producers on a crop, the producer who received advanced payments on such crop shall refund such payments. If a producer fails to comply with the requirements under the acreage limitation program after obtaining an advance deficiency payment under this paragraph, the producer shall immediately repay the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe.

(4) The Secretary shall establish and announce for each crop of extra long staple cotton a national program acreage. The Secretary may revise the national program acreage first announced for any crop year for the purpose of determining the allocation factor under paragraph (5) of this subsection if the Secretary determines it necessary based upon the latest information, and the Secretary shall announce such revised national program acreage as soon as it has been made. The national program acreage shall be the number of harvested acres the Secretary determines (on the basis of the estimated weighted national average of the farm program yields for the crop for which the determination is made) will produce the quantity (less imports) of extra long staple cotton that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop. The national program acreage shall be subject to such adjustment as the Secretary determines necessary, taking into consideration the estimated carryover supply

and the stocks not accounted for by official domestic consumption and export data, so as to provide for an adequate but not excessive total supply of extra long staple cotton for the marketing year for the crop for which such national program acreage is established. In no event shall the national program acreage be less than sixty thousand acres.

(5) The Secretary shall determine a program allocation factor for each crop of extra long staple cotton. The allocation factor (not to exceed 100 per centum) shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop.

(6) The individual farm program acreage for each crop of extra long staple cotton shall be determined by multiplying the allocation factor by the acreage of extra long staple cotton planted for harvest on each farm for which individual farm program acreages are required to be determined. The farm program acreage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of extra long staple cotton planted for harvest on the farm from the acreage base established for the farm under paragraph (8)(A) of this subsection by at least the percentage recommended by the Secretary in the announcement of the national program acreage. The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of extra long staple cotton planted for harvest is less than the acreage base established for the farm under paragraph (8)(A) of this subsection, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor. In establishing the allocation factor for extra long staple cotton, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

(7) The farm program payment yield for each crop of extra long staple cotton shall be determined on the basis of the actual yields per harvested acre on the farm for the preceding three years, except that the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, floor, or other natural disaster, or other condition beyond the control of the producers. In case farm yield data for one or more years are unavailable or there was no production, the Secretary shall provide for appraisals to be made on the basis of actual yields and program payment yields for similar farms in the area for which data are available. Notwithstanding the foregoing provisions of this paragraph in the determination of yields, the Secretary shall take into account the actual yields proved by the producer, and neither such yields nor the farm program payment yield established on the basis of such yields shall be reduced under other provisions of this paragraph. If the Secretary determines it necessary, the Secretary may establish national, State, or county program payment yields on the basis of historical yields, as adjusted by the Secretary to correct for abormal factors affecting such yields in the historical period, or, if such data are not available, on the Secretary's estimate of actual yields for the crop year involved. If national, State, or county program payment yields are established, the farm program payment yields

shall balance to the national, State, or county program payment yields.

(8)(A)(i) Notwithstanding any other provision of this subsection, the Secretary may establish a limitation on the acreage planted to extra long staple cotton if the Secretary determines that the total supply of extra long staple cotton, in the absence of such limitation, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable prices and to meet a national emergency. Such limitation shall be achieved by applying a uniform percentage reduction to the acreage base for each extra long staple cotton-producing farm. Producers who knowingly produce extra long staple cotton in excess of the permitted acreage for the farm shall be ineligible for extra long staple cotton loans and payments with respect to that farm. The acreage base for any farm for the purpose of determining any reduction required to be made for any year as a result of a limitation under this subparagraph shall be the average acreage planted on the farm to extra long staple cotton for harvest in the three crop years immediately preceding the year prior to the year for which the determination is made. For the purpose of the preceding sentence, acreage planted to extra long staple cotton for harvest shall include any acreage which the producers were prevented from planting to extra long staple cotton or other nonconserving crops in lieu of extra long staple cotton because of drought, flood, or other natural disaster or other conditions beyond the control of the producers. The Secretary may make adjustments to reflect established crop-rotation practices and to reflect such other factors as the Secretary determines should be considered for the 1984, 1985, and 1986 crops an acreage base reserve equal to 5 per centum of the total of the farm acreage bases established for the crop under the foregoing provisions of this subparagraph. Such reserve shall be in addition to the total of the farm acreage bases and shall be used by the county committees, in accordance with regulations of the Secretary, for making adjustments of farm acreage bases to correct inequities and prevent hardship, and for establishing bases for farms on which no extra long staple cotton was planted during the preceding four years. A number of acres on the farm determined by dividing (i) the product obtained by multiplying the number of acres required to be withdrawn from the production of extra long staple cotton times the number of acres actually planted to such commodity, by (ii) the number of acres authorized to be planted so such commodity under the limitations estabished by the Secretary, shall be devoted to conservation uses, in accordance with regulations issued by the Secretary, which will assure protection of such acreage from weeds and wind and water erosion. The number of acres so determined is hereafter in this subsection referred to as "reduced acreage". The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect

farm income adversely. If an acreage limitation program is announced under this paragraph for a crop of extra long staple cotton, paragraphs (4), (5), and (6) of this subsection shall not be applicable to such crop, including any prior announcement which may have been made under such paragraphs with respect to such crop. The individual farm program acreage shall be the actual acreage planted on the farm to extra long staple cotton for harvest within the permitted extra long staple cotton acreage for the farm as established under this paragraph.

(ii) Notwithstanding any other provision of this Act, the Secretary shall ensure, under such terms and conditions as may be prescribed by the Secretary, that the total of the crop acreage bases established on a farm which is enrolled in a production adjustment program for any commodity shall not be increased as a result of the application of the provisions set forth in paragraph (16)(C), [as extended for the 1989 and 1990 crop] *beginning with the 1990 crop.*

(B) The Secretary may make land diversion payments to producers of extra long staple cotton, whether or not an acreage limitation program for extra long staple cotton is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of extra long staple cotton to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers. The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(C) The reduced acreage and the diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purpose of the foregoing sentence. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(9) An operator of a farm desiring to participate in the program conducted under paragraph (8) of this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producers on the farm, terminate or modify any such agreement if the Secretary determines

such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

(10) The Secretary shall provide for the sharing of payments made under this subsection for any farm among the producers on the farm on a fair and equitable basis.

(11) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(12) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this subsection precludes the making of loans and payments, the Secretary may, nevertheless, make such loans and payments in such amounts as the Secretary determines to be equitable in relation to the seriousness of the failure. The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act [(16 U.S.C. 590h(b))] to waive or modify deadlines and other program requirements in case in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

(13) The Secretary may issue such regulations as the Secretary determines necessary to carry out the provisions of this subsection.

(14) The Secretary may carry out the program authorized by this subsection through the Commodity Credit Corporation.

(15) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act [(16 U.S.C. 590h(g))] (relating to assignment of payments) shall apply to payments made under this subsection.

[(16)(A) Notwithstanding any other provision of law, except as provided in subparagraph (B), compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans or payments under this subsection.]

(16)(A) Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans or payments under this subsection.

[(B) In the case of each of the 1989 crops of extra long staple cotton, the Secretary may require that, as a condition of eligibility of producers for loans or payments under this subsection, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect shall not exceed the crop acreage base established for the farm for the commodity.]

(B) The Secretary may not require producers on a farm, as a condition of eligibility for loans or payments under this subsection for the farm, to comply with the terms and conditions of the extra long staple cotton program with respect to any other farm operated by the producers.

(C) Notwithstanding any other provision of law, in the case of each of the 1987 through 1990 crops of extra long staple cotton, compliance with the terms and conditions of the program authorized by this subsection may not require as a condition of eligibility for loans, purchases, or payments under any other commodity program.

(17) In order to encourage and assist producers in the orderly ginning and marketing of their extra long staple cotton production, the Secretary shall make recourse loans available to such producers on seed cotton in accordance with authority vested in the Secretary under the Commodity Credit Corporation Charter Act.

(18) References made in sections 402, 403, 406, 407, and 416 to the terms "support price", "level of support", and "level of price support" shall be considered to apply as well as the level of loans for extra long staple cotton under this subsection; and reference to the terms "price support", "price support operations", and "price support program" in such sections and in section 401(a) shall be considered as applying as well to the loan operations for extra long staple cotton under this subsection.

(19) Notwithstanding any other provision of law, this subsection shall not be applicable to the [1991] *1996* and subsequent crops of extra long staple cotton.

[[LOAN RATES AND TARGET PRICES FOR 1986 THROUGH 1990 COTTON CROPS]

[SEC. 103A. Notwithstanding any other provision of law:

[(a)(1) Except as provided in paragraph (2), the Secretary shall, on presentation of warehouse receipts reflecting accured storage charges of not more than 60 days, make available for the 1986 through 1990 crops of upland cotton to producers nonrecourse loans for a term of 10 months from the first day of the month in which the loan is made at such level, per pound, as will reflect for Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States at a level that is not less than—

[(A) in the case of the 1986 crop of upland cotton, 55 cents per pound; and

[(B) in the case of each of the 1987 through 1990 crops of upland cotton, the smaller of—

[(i) 85 percent of the average price (weighted by market and month) of such quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; or

[(ii) 90 percent of the average, for the 15-week period beginning July 1 of the year in which the loan level is announced, of the 5 lowest-price growths of the growths quoted for Middling one and three-thirty-seconds inch cotton C.I.F. northern Europe (adjusted downward by the average difference during the period April 15 through October 15 of the year in which the loan is announced between such average northern European price quotation of such quality of cotton and the market quotations in the designated United States spot markets for Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9)).

[(2)(A) The loan level for any crop determined under paragraph (1)(B) may not be reduced below 50 cents per pound nor more than—

[(i) in the case of the 1987 crop, 5 percent from the level determined for the preceding crop;

[(ii) in the case of the 1988 crop, 3 percent from the level determined for the preceding crop;

[(iii) in the case of the 1989 crop, 5 percent from the level determined for the preceding crop, plus an additional 2 percent from the level determined for the preceding crop if the Secretary determines that such additional percentage reduction is necessary to maintain a competitive market position for upland cotton; and

[(iv) in the case of the 1990 crop, 5 percent from the level determined for the preceding crop.

[(B) If for any crop the average northern European price determined under paragraph (1)(B)(ii) is less than the average United States spot market price determined under paragraph (1)(B)(i), the Secretary may increase the loan level to such level as the Secretary may deem appropriate, not in excess of the average United States spot market price determined under paragraph (1)(B)(i).

[(3) The loan level for any crop of upland cotton shall be determined and announced by the Secretary not later than November 1 of the calendar year preceding the marketing year for which such loan is to be effective, except that in the case of the 1986 crop, such determination and announcement shall be made as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23, 1985]. Such level shall not thereafter be changed.

[(4)(A) Except as provided in subparagraph (B), nonrecourse loans provided for in this section shall, on request of the producer during the 10th month of the loan period for the cotton, by made available for an additional term of 8 months.

[(B) A request to extend the loan period shall not be approved in any month in which the average price of Strict Low Middling one and one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for the preceding month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36-month period.

[(5)(A) If the Secretary determines that the prevailing world market price for upland cotton (adjusted to United States quality and location) is below the loan level determined under the foregoing provisions of this subsection, in order to make United States upland cotton competitive in world markets, the Secretary shall implement the provisions of Plan A or Plan B in accordance with this paragraph.

[(B) If the Secretary elects to implement Plan A, the Secretary shall permit a producer to repay a loan made for any crop at a level determined and announced by the Secretary at the same time the Secretary announces the loan level for such crop as determined under paragraph (3). Such repayment level for loans on such crops shall not be less than 80 percent of the loan level determined for the crop. Such repayment level, once announced for the crop, shall not thereafter be changed.

[(C)(i) If the Secretary elects to implement Plan B, except as provided in clause (ii), the Secretary shall permit a producer to repay a loan made for any crop at a level that is the lesser of—

[(I) the loan level determined for such crop; or

[(II) the prevailing world market price for upland cotton (adjusted to United States quality and location), as determined by the Secretary.

[(ii) For each of the 1987 through 1990 crops of cotton, if the world market price for cotton (adjusted to United States quality and location) as determined by the Secretary, is less than 80 percent of the loan level determined for such crop, the Secretary may permit a producer to repay a loan made under this subsection for a crop at such level (not in excess of 80 percent of the loan level determined for such crop) as the Secretary determines will—

[(I) minimize potential loan forfeitures;

[(II) minimize the accumulation of cotton stocks by the Federal Government;

[(III) minimize the cost incurred by the Federal Government in storing cotton; and

[(IV) allow cotton produced in the United States to be marketed freely and competitively, both domestically and internationally.

[(D)(i) Notwithstanding any other provision of law, during the period beginning August 1, 1986, and ending July 31, 1991, if a program carried out under Plan A or Plan B fails to make United States upland cotton fully competitive in world markets and the prevailing world market price of upland cotton (adjusted to United States Quality and location), as determined by the Secretary, is below the current loan repayment rate for upland cotton determined under subparagraph (A), to make United States upland cotton competitive in the world markets and to maintain and expand domestic consumption and exports of upland cotton produced in the United States, the Secretary shall provide for the issuance of negotiable marketing certificates in accordance with this subparagraph.

[(ii) The Commodity Credit Corporation, under such regulations as the Secretary may prescribe, shall make payments, through the issuance of negotiable marketing certificates, to first handlers of cotton (persons regularly engaged in buying or selling upland cotton) who have entered into an agreement with the Commodity Credit Corporation to participate in the program established under this subparagraph. Such payments shall be made in such monetary amounts and subject to such terms and conditions as the Secretary determines will make upland cotton produced in the United Statdes available at competitive prices, consistent with the purposes of this subparagraph, including such payments as may be necessary to make raw cotton in inventory on August 1, 1986, available on the same basis.

[(iii) The value of each certificate issued under clause (ii) shall be based on the difference between—

[(I) the loan repayment rate for upland cotton under Plan A or Plan B, as the case may be; and

[(II) the prevailing world market price of upland cotton, as determined by the Secretary under a published formula submitted for public comment before its adoption.

[(iv) The Commodity Credit Corporation, under regulations prescribed by the Secretary, may assist any person receiving marketing certificates under this subparagraph in the redemption of certificates for cash, or marketing or exchange of such certificates for (I) upland cotton owned by the Commodity Credit Corporation or (II) (if the Secretary and the person agree) other agricultural comodities or the products thereof owned by the Commodity Credit Corporation, at such times, in such manner, and at such price levels as the Secretary determines will best effectuate the purposes of the program established under this subparagraph. Nowithstanding any other provision of law, any price restrictions that may otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subparagraph.

[(v) Insofar as practicable, the Secretary shall permit owners of certificates to designate the commodities and the products thereof, including storage sites thereof, such owners would prefer to receive in exchange for certificates. If any certificate is not presented for redemption, marketing, or exchange within a reasonable number of days after the issuance of such certificate (as determined by the Secretary), reasonable costs of storage and other carrying charges, as determined by the Secretary, shall be deducted from the value of the certificate for the period beginning after such reasonable number of days and ending with the date of the presentation of such certificate to the Commodity Credit Corporation.

[(vi) The Secretary shall take such measures as may be necessary to prevent the marketing or exchange of agricultural commodities and products for certificates under this section from adversely affecting the income of producers of such commodities or products.

[(vii) Under regulations prescribed by the Secretary, certificates issued to cotton handlers under this subparagraph may be transferred to other handlers and persons approved by the Secretary.

[(E)(i) The Secretary shall prescribe by regulation—

[(I) a formula to define the prevailing world market price for cotton; and

[(II) a mechanism by which the Secretary shall announce periodically the prevailing world market price for cotton.

[(ii) Not later than 90 days after the date of enactment of the Food Security Act of 1985 [enacted on December 23, 1985], the Secretary shall—

[(I) publish in the Federal Register proposed regulations specifying such formula and mechanisms; and

[(II) invite public comment on such proposal.

[(iii) The prevailing world market price established under this subparagraph shall be used for purposes of both Plan A and Plan B and marketing certificates under subparagraph (D).

[(b)(1) The Secretary may, for each of the 1986 through 1990 crops of upland cotton, make payments available to producers who, although eligible to obtain a loan under subsection (a), agree to forgo obtaining such loan in return for such payments.

[(2) A payment under this subsection shall be computed by multiplying—

[(A) the loan payment rate; by

[(B) the quantity of upland cotton the producer is eligible to place under loan.

[(3) For purposes of this subsection, the quantity of upland cotton eligible to be placed under loan may not exceed the product obtained by multiplying—

[(A) the individual farm program acreage for the crop; by

[(B) the farm program payment yield established for the farm.

[(4) For purposes of this subsection, the loan payment rate shall be the amount by which—

[(A) the loan level determined for such crop under subsection (a); exceeds

[(B) the level at which a loan may be repaid under subsection (a).

[(5) The Secretary may make up to one-half the amount of a payment under this subsection available in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(D).

[(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1990 crops of upland cotton in an amount computed by multiplying—

[(i) the payment rate; by

[(ii) the individual farm program acreage; by

[(iii) the farm program payment yield established for the crop for the farm.

[(B)(i) If an acreage limitation program under subsection (f)(2) is in effect for a crop of upland cotton and the producers on a farm devote a portion of the permitted upland cotton acreage of the farm (as determined in accordance with subsection (f)(2)(A)) equal to more than 8 percent of the permitted upland cotton acreage of the farm for the crop, or all of such permitted acreage (as provided in subclause (II) of clause (ii)), to conservation uses (except as provided in subparagraph (G))—

[(I) such portion (or all) of the permitted upland cotton acreage in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (G)) shall be considered to be planted to upland cotton for the purpose of determining the individual farm program acreage in accordance with subsection (f)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (f)(2)(D); and

[(II) the producers shall be eligible for payments under this paragraph on such acreage, subject to the compliance of the producers with clause (ii).

[(ii)(I) To be eligible for payments under clause (i), except as provided in subclause (II) and clause (iii), the producers on the farm must actually plant upland cotton for harvest on at least 50 percent of the permitted upland cotton acreage of the farm.

[(II) Effective for the 1987 crop, producers of upland cotton on a farm shall not be subject to the 50 percent planting requirement, and may devote all or any portion of the farm's 1987 permitted

upland cotton acreage to conservation uses (or other uses as provided in subparagraph (G)) under the program under this subparagraph, if the farm is, during the normal planting season for such crop, subject to flooding on at least 50 percent of the permitted upland cotton acreage of the farm as the result of damage to a levee from flooding that occurred in 1986 and the farm is located in a county in which producers are eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of such disaster.

[(iii) If a State or local agency has imposed in an area of a State or county a quarantine on the planting of upland cotton for harvest on farms in such area, the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) may recommended to the Secretary that payments be made under this paragraph, without regard to the requirement imposed under clause (ii), to producers in such area who were required to forgo the planting of upland cotton for harvest on acreage to alleviate or eliminate the condition requiring such quarantine. If the Secretary determines that such condition exists, the Secretary may make payments under this paragraph to such producers. To be eligible for payments under this clause, such producers may devote such acreage to conservation uses (except as provided in subparagraph (G)).

[(iv) The upland cotton crop acreage base and upland cotton farm program payment yield of the farm shall not be reduced due to the fact that such portion (or all) of the permitted acreage of the farm was devoted to conserving uses (except as provided in subparagraph (G)) under this subparagraph.

[(v) Other than as provided in clauses (i) through (iv), payments may not be made under this subsection for any crop on a greater acreage than the acreage actually planted to upland cotton.

[(vi) Any acreage considered to be planted to upland cotton in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

[(C) The payment rate for upland cotton shall be the amount by which the established price for the crop of upland cotton exceeds the higher of—

[(i) the national average market price received by producers during the calendar year that includes the first 5 months of the marketing year for such crop, as determined by the Secretary; or

[(ii) the loan level determined for such crop.

[(D) The established price for upland cotton shall not be less than $0.81 per pound for the 1986 crop, $0.794 per pound for the 1987 crop, $0.759 per pound for the 1988 crop, $0.734 per pound for the 1989 crop, and $0.729 per pound for the 1990 crop.

[(E) The total quantity of upland cotton on which payments would otherwise be payable to a producer on a farm for any crop under this subsection shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

[(F) The Secretary may pay not more than 5 percent of the total amount of a payment made under this paragraph in the form of upland cotton. The use of upland cotton in making payments to producers shall be subject to a determination by the Secretary of the effect that such in-kind payments will have on market prices for any commodity. The Secretary shall report such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(G) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

[(i) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

[(ii) the production is needed to provide adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

[(2)(A)(i) Except as provided in subparagraph (C), if the Secretary determines that the producers of a farm are prevented from planting any portion of the acreage intended for upland cotton to upland cotton or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

[(I) the number of acres so affected but not to exceed the acreage planted to upland cotton for harvest (including any acreage that the producers were prevented from planting to upland cotton or other nonconserving crops in lieu of upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

[(II) 75 percent of the farm program payment yield established for the farm by the Secretary; by

[(III) a payment rate equal to 33⅓ percent of the established price for the crop.

[(ii) Payments made by the Secretary under this subparagraph may be made in the form of cash or from stocks of upland cotton held by the Commodity Credit Corporation.

[(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of upland cotton that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the farm program payment yield established for the farm for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

[(C) Producers on a farm shall not be eligible for—

[(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the upland cotton acreage of the producers; or

[(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the upland cotton acreage of the producers.

[(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to producers on a farm under this subsection if the Secretary determines that—

[(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting upland cotton or other nonconserving crops or form reduced yields;

[(II) such losses have created an economic emergency for the producers;

[(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses is insufficient to alleviate such economic emergency; and

[(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

[(ii) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

[(d)(1)(A) Except for a crop with respect to which there is an acreage limitation program in effect under subsection (f), the Secretary shall proclaim a national program acreage for each of the 1986 through 1990 crops of upland cotton. The proclamation shall be made not later than November 1 of the calendar year preceding the year for which such acreage is established, except that in the case of the 1986 crop, such announcement shall be made as soon as practicable after the enactment of the Food Security Act of 1985 [December 23, 1985].

[(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it necessary based on the latest information. The Secretary shall

proclaim such revised national program acreage as soon as it is made.

[(C) The national program acreage for upland cotton shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

[(D) The national program acreage shall be subject to such adjustment as the Secretary determines necessary, taking into consideration the estimated carryover supply, so as to provide for an adequate but not excessive total supply of upland cotton for the marketing year for the crop for which such national program acreage is established. In no event shall the national program acreage be less than 10 million acres.

[(2) The Secretary shall determine a program allocation factor for each crop of upland cotton. The allocation factor (not to exceed 100 percent) shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop.

[(3)(A) The individual farm program acreage for each crop of upland cotton shall be determined by multiplying the allocation factor by the acreage of upland cotton planted for harvest on the farms for which individual farm program acreages are required to be determined.

[(B) The individual farm program acreage may not be further reduced by application of the allocation factor if the producers reduce the acreage of upland cotton planted for harvest on the farm from the crop acreage base established for the farm under title V by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

[(C) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of upland cotton planted for harvest is less than the crop acreage base established for the farm under title V, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

[(D) In establishing the allocation factor for upland cotton, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the forgoing provisions of this subsection.

[(e) The farm program payment yields for farms for each crop of upland cotton shall be determined under title V.

[(f)(1)(A) Notwithstanding any other provision of this Act, if the Secretary determines that the total supply of upland cotton, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of upland cotton an acreage limitation program as described in paragraph (2).

[(B) In making a determination under clause (i), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under section 1231 of the Food Security Act of 1985.

[(C) If the Secretary elects to put an acreage limitation program into effect for any crop year, the Secretary shall announce any such program not later than November 1 of the calendar year preceding the year in which the crop is harvested, except that in the case of the 1986 crop, such announcement shall be made as soon as practicable after the enactment of the Food Security Act of 1985 [December 23, 1985].

[(D) The Secretary shall, to the maximum extent practicable, carry out an acreage limitation program described in paragraph (2) for a crop of upland cotton in a manner that will result in a carryover of 4 million bales of upland cotton.

[(2)(A) If a upland cotton acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction (not to exceed 25 percent) to the upland cotton crop acreage base for the crop for each upland cotton-producing farm.

[(B) Except as provided in subsection (g), producers who knowingly produce upland cotton in excess of the permitted upland cotton acreage for the farm, as established in accordance with subparagraph (A), shall be ineligible for upland cotton loans and payments with respect to that farm.

[(C) Upland cotton crop acreage bases for each crop of upland cotton shall be determined under title V.

[(D)(i) A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by dividing—

[(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of upland cotton times the number of acres planted to such commodity; by

[(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary.

[(ii) The number of acres determined under clause (i) is hereafter in this subsection referred to as "reduced acreage".

[(E) If an acreage limitation program is announced under paragraph (1) for a crop of upland cotton, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. Except as provided in subsection (c)(1)(B), the individual farm program acreage shall be the acreage planted on the farm to upland cotton for harvest within the permitted upland cotton acreage for the farm as established under this paragraph.

[(3)(A) The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

[(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

[(C)(i) Except as provided in clauses (ii) and (iii), haying and grazing of acreage designated as conservation use acreage for the purpose of meeting any requirements established under an acreage limitation program (including a program conducted under subsection (c)(1)(C)), set-aside program, or land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. Such 5-month period shall be established during the period beginning April 1, and ending October 31, of a year.

[(ii) In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on such acreage.

[(iii) Haying and grazing shall not be permitted for any crop under clause (i) if the Secretary determines that haying and grazing would have an adverse economic effect.

[(4)(A) The Secretary may make land diversion payments to producers of upland cotton, whether or not an acreage limitation program for upland cotton is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

[(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

[(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

[(5)(A) The reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

[(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

[(C) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

[(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

[(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

[(g)(1) The Secretary may, for each of the 1986 through 1990 crops of upland cotton, make payments available to producers who meet the requirements of this subsection.

[(2) Such payments shall be—

[(A) made in the form of upland cotton owned by the Commodity Credit Corporation; and

[(B) subject to the availability of such upland cotton.

[(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

[(B) The quantity of upland cotton to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

[(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

[(A) agrees to forgo obtaining a loan under subsection (a);

[(B) agrees to forgo receiving payments under subsection (c);

[(C) does not plant upland cotton for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

[(D) otherwise complies with this seciton.

[(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans and payments, the Secretary may, nevertheless, make such loans and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

[(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

[(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

[(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

[(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

[(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

[(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

[(n)(1) Notwithstanding any other provision of law, except as provided in paragraph (2), compliance on a farm with terms and conditions of any other commodity program may not be required as a condition of eligibility for loans or payments under this section.

[(2) The Secretary may require that, as a condition of eligibility of producers on a farm for loans or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect shall not exceed the crop acreage base for that commodity.

[(3) The Secretary may not require producers on a farm, as a condition of eligibility for loans or payments under this section for such farm, to comply with the terms and conditions of the upland cotton program with respect to any other farm operated by such producers.

[(o)(1) Whenever the Secretary determines that the average price of Strict Low Middling one of one-sixteenth inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for a month exceeded 130 percent of the average price of such quality of cotton in such markets for the preceding 36 months, notwithstanding any other provision of law, the President shall immediately establish and proclaim a special limited global import quota for upland cotton subject to the following conditions:

[(A) The quantity of the special quota shall be equal to 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

[(B) If a special quota has been established under this subsection during the preceding 12 months, the quantity of the quota next established hereunder shall be the smaller of 21 days of domestic mill consumption calculated as set forth in subparagraph (A) or the quantity required to increase the supply to 130 percent of the demand.

[(C) As used in subparagraph (B):

[(i) The term "supply" means, using the latest official data of the Bureau of the Census, the Department of Agriculture, and the Department of the Treasury—

[(I) the carryover of upland cotton at the beginning of the marketing year (adjusted to 480-pound bales) in which the special quota is established; plus

[(II) production of the current crop; plus

[(III) imports to the latest date available during the marketing year.

[(ii) The term "demand" means—

[(I) the average seasonally adjusted annual rate of domestic mill consumption in the most recent 3 months for which data are available; plus

[(II) the larger of—

[(aa) average exports of upland cotton during the preceding 6 marketing years; or

[(bb) cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the special quota is established.

[(D) When a special quota is established under this subsection, cotton may be entered under such quota during the 90-day period beginning on the effective date of the proclamation.

[(2) Notwithstanding paragraph (1), a special quota period may not be established that overlaps an existing quota period.]

SEC. 103A. LOANS, PAYMENTS, AND ACREAGE REDUCTION PROGRAMS FOR THE 1991 THROUGH 1995 CROPS OF UPLAND COTTON.

(a) LOANS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary shall, on presentation of warehouse receipts or other acceptable evidence of title reflecting accrued storage charges of not more than 60 days, make available for the 1991 through 1995 crops of upland cotton to producers on a farm nonrecourse loans for upland cotton produced on the farm for a term of 10 months from the first day of the month in which the loan is made at such level, per pound, as will reflect for the base quality of upland cotton, as determined by the Secretary, at average location in the United States a level that is not less than the smaller of—

(A) 85 percent of the average price (weighted by market and month) of such base quality of cotton as quoted in the designated United States spot markets during 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period; or

(B) 90 percent of the average, for the 15-week period beginning July 1 of the year in which the loan level is announced, of the 5 lowest-priced growths of the growths quoted for Middling one and three-thirty-seconds inch cotton C.I.F. northern Europe (adjusted downward by the average difference during the period April 15 through October 15 of the year in which the loan is announced between the average northern European price quotation of such quality of cotton and the market quotations in the designated United States spot markets for the base quality of upland cotton, as determined by the Secretary.

For purposes of perfecting a security interest under any State law, the evidence of title approved by the Secretary under this paragraph shall be considered to be a warehouse recipt.

(2) MINIMUM LEVEL.—

(A) IN GENERAL.—The loan level for any crop determined under paragraph (1) may not be reduced by more than 5 percent from the level determined for the preceding crop, and may not be reduced below 50 cents per pound.

(B) INCREASE OF LEVEL.—If for any crop the average northern European price determined under paragraph (1)(B) is less than the average United States spot market price determined under paragraph (1)(A), the Secretary may increase the loan level to such level as the Secretary may consider appropriate, not in excess of the average United States spot market price determined under paragraph (1)(A).

(3) ANNOUNCEMENT.—The loan level for any crop of upland cotton shall be determined and announced by the Secretary not later than November 1 of the calendar year preceding the marketing year for which the loan is to be effective. The level shall not thereafter be changed.

(4) EXTENSION OF LOAN PERIOD.—

(A) IN GENERAL.—Except as provided in subparagraph (B), nonrecourse loans provided for in this section shall, on request of the producer during the 10th month of the loan period for the cotton, be made available for an additional term of 8 months.

(B) NO EXTENSION.—A request to extend the loan period shall not be approved in any month in which the average price of the base quality of upland cotton, as determined by the Secretary, in the designated spot markets for the preceding month exceeded 130 percent of the average price of such base quality of cotton in the markets for the preceding 36-month period.

(5) MARKETING LOAN PROVISIONS.—

(A) IN GENERAL.—

(i) LOAN REPAYMENT RATE.—If the Secretary determines that the prevailing world market price for upland cotton (adjusted to United States quality and location) is below the loan level determined under the foregoing provisions of this subsection, in order to make United States upland cotton competitive in world markets, the Secretary shall permit a producer to repay a loan made for any crop at a level (except as provided in clause (ii)) that is the lesser of—

(I) the loan level determined for the crop; or

(II) the prevailing world market price for upland cotton (adjusted to United States quality and location), as determined by the Secretary.

(ii) ALTERNATIVE REPAYMENT RATES.—For each of the 1991 through 1995 crops of cotton, if the world market price for cotton (adjusted to United States quality and location) as determined by the Secretary, is less than the loan level determined for the crop, the Secretary may permit a producer to repay a loan made under this subsection for a crop at such level (not in excess of the loan level determined for the crop) as the Secretary determines will—

(I) minimize potential loan forfeitures;

(II) minimize the accumulation of cotton stocks by the Federal Government;

(III) minimize the cost incurred by the Federal Government in storing cotton; and

(IV) allow cotton produced in the United States to be marketed freely and competitively, both domestically and internationally.

(B) NEGOTIABLE MARKETING CERTIFICATES.—

(i) IN GENERAL.—During the period beginning August 1, 1991, and ending July 31, 1996, if a program carried out under subparagraph (A) fails to make United States upland cotton fully competitive in world markets and the prevailing world market price of upland cotton (adjusted to United States quality and location), as determined by the Secretry, is below the current loan repayment rate for upland cotton determined under subparagraph (A), to make United States upland cotton

competitive in world markets and to maintain and expand domestic consumption and exports of upland cotton produced in the United States, the Secretary shall provide for the issuance of negotiable marketing certificates in accordance with this subparagraph.

(ii) PAYMENTS.—The Commodity Credit Corporation, under such regulations as the Secretary may prescribe, shall make payments, through the issuance of negotiable marketing certificates, to first handlers of cotton (persons regularly engaged in buying or selling upland cotton) who have entered into an agreement with the Commodity Credit Corporation to participate in the program established under this subparagraph. The payments shall be made in such monetary amounts and subject to such terms and conditions as the Secretary determines will make upland cotton produced in the United States available at competitive prices, consistent with the purposes of this subparagraph.

(iii) VALUE.—The value of each certificate issued under clause (ii) shall be based on the difference between—

(I) the loan repayment rate for upland cotton; and

(II) the prevailing world market price of upland cotton (adjusted to United States quality and location), as determined by the Secretary.

(iv) REDEMPTION, MARKETING, OR EXCHANGE.—In accordance with regulations, the Commodity Credit Corporation, may assist any person receiving marketing certificates under this subparagraph in the redemption of certificates for cash, or marketing or exchange of the certificate for agricultural commodities or the products thereof owned by the Commodity Credit Corporation, at such times, in such manner, and at such price levels as the Secretary determines will best effectuate the purposes of the program establishsed under this subparagraph. Any price restrictions that may otherwise apply to the disposition of agricultural commodities by the Commodity Credit Corporation shall not apply to the redemption of certificates under this subparagraph.

(v) DESIGNATION OF COMMODITIES AND PRODUCTS; CHARGES.—Insofar as practicable, the Secretary shall permit owners of certificates to designate the commodities and the products thereof, including storage sites thereof, the owners would prefer to receive in exchange for certificates. If any certificate is not presented for redemption, marketing, or exchange within a reasonable number of days after the issuance of the certificate (as determined by the Secretary), reasonable costs of storage and other carrying charges, as determined by the Secretary, shall be deducted from the value of the certificate for the period beginning after the reasonable number of days and ending with the date of the presen-

tation of the certificate to the Commodity Credit Corporation.

(vi) DISPLACEMENT.—The Secretary shall take such measures as may be necessary to prevent the marketing or exchange of agricultural commodities and products for certificates under this subsection from adversely affecting the income of producers of the commodities or products.

(vii) TRANSFERS.—Under regulations prescribed by the Secretary, certificates issued to cotton handlers under this subparagraph may be transferred to other handlers and persons approved by the Secretary.

(C) PREVAILING WORLD MARKET PRICE.—

(i) IN GENERAL.—The Secretary shall prescribe by regulation—

(I) a formula to define the prevailing world market price for upland cotton (adjusted to United States quality and location); and

(II) a mechanism by which the Secretary shall announce periodically the prevailing world market price for upland cotton (adjusted to United States quality and location).

(ii) USE.—The prevailing world market price established under this subparagraph shall be used under subparagraphs (A) and (B).

(D) ADJUSTMENT OF PREVAILING WORLD MARKET PRICE.—

(i) IN GENERAL.—During the period beginning August 1, 1991, and ending July 31, 1996, the prevailing world market price for upland cotton (adjusted to United States quality and location) established under subparagraph (C) shall be further adjusted if—

(I) the adjusted prevailing world market price is less than 115 percent of the current crop year loan level for the base quality of upland cotton, as determined by the Secretary; and

(II) the Friday through Thursday average price quotation for the lowest-priced United States growth as quoted for Middling one and three-thirty seconds inch cotton delivered C.I.F. Northern Europe is greater than the average price of the five lowest-priced growths of upland cotton, as quoted for Middling one and three-thirty seconds inch cotton, delivered C.I.F. Northern Europe (hereinafter in this subsection referred to as the "Northern Europe price").

(ii) FURTHER ADJUSTMENT.—Except as provided in clause (iii), the adjusted prevailing world market price shall be further adjusted on the basis of some or all of the following data, as available:

(I) The United States share of world exports.

(II) The current level of cotton export sales and cotton export shipments.

(III) Other data determined by the Secretary to be relevant in establishing an accurate prevailing

world market price for upland cotton determination (adjusted to United States quality and location).

(iii) LIMITATION ON FURTHER ADJUSTMENT.—The adjustment under clause (ii) may not exceed the difference between—

(I) the Friday through Thursday average price for the lowest-priced United States growth as quoted for Middling one and three-thirty seconds inch cotton C.I.F. Northern Europe; and

(II) the Northern Europe price.

(E) NEGOTIABLE MARKETING CERTIFICATES.—

(i) ISSUANCE.—During the period beginning August 1, 1991, and ending July 31, 1996, if for any consecutive 4-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling one and three-thirty seconds inch cotton, delivered C.I.F. Northern Europe exceeds the Northern Europe price by more than 1.25 cents per pound, the Secretary shall issue negotiable marketing certificates to domestic users or exporters for documented sales made in the week following such consecutive 4-week period.

(ii) VALUE.—The value of the negotiable marketing certificates shall be based on the amount of the difference (reduced by 1.25 cents per pound) in such prices during the fourth week of the consecutive four-week period multiplied by the quantity of upland cotton included in the documented sales.

(iii) ADMINISTRATION.—Clauses (iv) through (vii) of subparagraph (B) shall apply to negotiable marketing certificates issued under this subparagraph. Any such certificates may be transferred to other persons as provided by the Secretary in regulations.

(F) SPECIAL LIMITED GLOBAL IMPORT QUOTA.—

(i) ESTABLISHMENT.—The President shall, within 60 days after the date of enactment of this section, establish an import quota program which shall provide that whenever the Secretary determines and announces that for any consecutive 10-week period, the Friday through Thursday average price quotation for the lowest-priced United States growth, as quoted for Middling one and three-thirty seconds inch cotton, delivered C.I.F. Northern Europe, adjusted for the value of any certificates issued under subparagraph (E), exceeds the Northern Europe price by more than 1.25 cents per pound, there shall immediately be in effect a special limited global import quota.

(ii) QUANTITY.—The quota shall be equal to 1 week's consumption of upland cotton by domestic mills at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(iii) APPLICATION.—The quota shall apply to upland cotton purchased not later than 90 days after the date

of the establishment of the quota and entered not later than 180 days after the date of the establishment of the quota.

(iv) OVERLAP.—Except as provided in clause (v), a special quota period may be established that overlaps any existing quota period if required by clause (i).

(v) NO OVERLAP.—A special quota period may not be established under this paragraph if a special quota period has been established under subsection (n).

(b) LOAN DEFICIENCY PAYMENTS.—

(1) IN GENERAL.—The Secretary shall, for each of the 1991 through 1995 crops of upland cotton, make payments available to producers who, although eligible to obtain a loan under subsection (a), agree to forgo obtaining the loan in return for payments under this subsection.

(2) COMPUTATION.—A payment under this subsection shall be computed by multiplying—

(A) the loan payment rate; by

(B) the quantity of upland cotton the producer is eligible to place under loan but forgoes obtaining the loan in return for payments under this subsection.

(3) LOAN PAYMENT RATE.—For purposes of this subsection, the loan payment rate shall be the amount by which—

(A) the loan level determined for the crop under subsection (a); exceeds

(B) the level at which a loan may be repaid under subsection (a).

(4) NEGOTIABLE MARKETING CERTIFICATES.—The Secretary may make up to one-half the amount of a payment under this subsection available in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(B).

(c) PAYMENTS.—

(1) DEFICIENCY PAYMENTS.—

(A) IN GENERAL.—The Secretary shall make available to producers payments (also referred to in this section as "deficiency payments") for each of the 1991 through 1995 crops of upland cotton in an amount computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop for the farm.

(B) PAYMENT RATE.—The payment rate for upland cotton shall be the amount by which the established price for the crop of upland cotton exceeds the higher of—

(i) the national average market price received by producers during the calendar year that includes the first 5 months of the marketing year for the crop, as determined by the Secretary; or

(ii) the loan level determined for the crop.

(C) ESTABLISHED PRICE.—The established price for upland cotton shall not be less than $0.729 per pound for each of the 1991 through 1995 crops.

(D) DEVOTING PERMITTED ACREAGE TO CONSERVATION USES.—

(i) ACREAGE CONSIDERED PLANTED.—If an acreage limitation program under subsection (e)(2) is in effect for a crop of upland cotton and the producers on a farm devote a portion of the permitted upland cotton acreage of the farm (as determined in accordance with subsection (e)(2)(A)) equal to more than 8 percent of the permitted upland cotton acreage of the farm for the crop to conservation uses (except as provided in subparagraph (E))—

(I) such portion of the permitted upland cotton acreage in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (E)) shall be considered to be planted to upland cotton for the purpose of determining the individual farm program acreage in accordance with subsection (e)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (e)(2)(D); and

(II) the producers shall be eligible for payments under this paragraph with respect to such acreage, subject to the compliance of the producers with clause (ii).

(ii) MINIMUM PLANTING REQUIREMENT.—To be eligible for payments under clause (i), except as provided in clauses (iv) and (v), the producers on the farm must actually plant upland cotton for harvest on at least 50 percent of the permitted upland cotton acreage of the farm.

(iii) DEFICIENCY PAYMENTS.—Notwithstanding any other provision of this section, any producer who devotes a portion of the permitted upland cotton acreage of the farm to conservation uses (or other uses as provided in subparagraph (E)) under this subparagraph shall receive deficiency payments on the acreage that is considered to be planted to upland cotton and eligible for payments under this subparagraph for the crop at a rate established by the Secretary, except that the rate may not be established at less than the projected deficiency payment rate for the crop, as determined by the Secretary. Such projected payment rate for the crop shall be announced by the Secretary prior to the period during which upland cotton producers may agree to participate in the program for the crop.

(iv) QUARANTINES.—If a State or local agency has imposed in an area of a State or county a quarantine on the planting of upland cotton for harvest on farms in the area, the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) may recommend to the Secretary that payments be made under this paragraph, without regard to the requirement imposed under clause (ii), to

producers in the area who were required to forgo the planting of upland cotton for harvest on acreage to alleviate or eliminate the condition requiring the quarantine. If the Secretary determines that the condition exists, the Secretary may make payments under this paragraph to the producers. To be eligible for payments under this clause, the producers must devote the acreage to conservation uses (except as provided in subparagraph (E)).

(v) PREVENTED PLANTING.—If an acreage limitation program under subsection (e) is in effect for any crop of upland cotton and if the Secretary determines that producers on a farm are prevented from planting the acreage intended for upland cotton to upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make available to such producers payments under this subparagraph without regard to the requirement imposed under clause (ii). To be eligible for payments under this clause, the producers must devote the acreage to conservation uses (except as provided in subparagraph (E)). Any such acreage shall be considered to be planted to upland cotton.

(vi) CROP ACREAGE AND PAYMENT YIELD.—The upland cotton crop acreage base and upland cotton farm program payment yield of the farm shall not be reduced due to the fact that a portion of the permitted cotton acreage of the farm was devoted to conserving uses (except as provided in subparagraph (E)).

(vii) LIMITATION.—Other than as provided in clauses (i) through (vi), payments may not be made under this paragraph for any crop on a greater acreage than the acreage actually planted to upland cotton.

(viii) CONSERVATION USE ACREAGE UNDER OTHER PROGRAMS.—Any acreage considered to be planted to upland cotton in accordance with clauses (i) and (vi) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

(E) PLANTING OTHER CROPS ON CONSERVATION USE ACREAGE.—

(i) INDUSTRIAL AND OTHER CROPS.—The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (D) to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago, ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be im-

ported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit the acreage to be devoted to the production only if the Secretary determines that—

(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material and could lead to increased industrial use of the raw material to the long-term benefit of United States industry.

(ii) OILSEEDS.—The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (D) to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). In implementing this clause, the Secretary shall provide that, in order to receive payments under subparagraph (D), the producers shall agree to forgo eligibility to receive a loan under section 205 for the crop of any such oilseeds produced on the farm.

(F) REDUCTION FOR DISASTER PAYMENTS.—The total quantity of upland cotton on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(2) DISASTER PAYMENTS.—

(A) PREVENTED PLANTING.—Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for upland cotton to upland cotton or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to upland cotton for harvest (including any acreage that the producers were prevented from planting to upland cotton or other nonconserving crops in lieu of upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the established price for the crop.

(B) REDUCED YIELDS.—Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of upland cotton that the producers are able to harvest on any farm is less than the result of multiplying 75 percent of the farm program payment yield established by the Secretary for the crop by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 33⅓ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

(C) CROP INSURANCE.—Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the upland cotton acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the upland cotton acreage of the producers.

(D) ADMINISTRATION.—

(i) ECONOMIC EMERGENCIES.—Notwithstanding subparagraph (C), the Secretary may make a disaster payment to the producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting upland cotton or other nonconserving crops or from reduced yields;

(II) the losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to the producers for the losses are insufficient to alleviate the economic emergency; and

(IV) additional assistance must be made available to the producers to alleviate the economic emergency.

(ii) ADJUSTMENTS.—The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to ensure the equitable allotment of the payments among producers, taking into account other

forms of Federal disaster assistance provided to the producers for the crop involved.

(d) PAYMENT YIELDS.—The farm program payment yields for farms for each crop of upland cotton shall be determined under title V.

(e) ACREAGE REDUCTION PROGRAMS.—

(1) IN GENERAL.—

(A) ESTABLISHMENT.—Notwithstanding any other provision of this Act, if the Secretary determines that the total supply of upland cotton, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of upland cotton an acreage limitation program as described in paragraph (2).

(B) CONSERVATION STEWARDSHIP PROGRAM.—In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

(C) ANNOUNCEMENTS.—If the Secretary elects to implement an acreage limitation program for any crop year, the Secretary shall announce the program not later than November 1 of the calendar year preceding the year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section.

(D) REVISIONS.—The Secretary may revise the acreage limitation program first proclaimed for any crop year not later than January 1 of the calendar year in which the crop is harvested if the Secretary determines it necessary based on the latest available information. If the Secretary determines that producers in early planting areas (as determined by the Secretary) would be disadvantaged by such revision, such producers may elect to participate in the acreage limitation program based on the terms and conditions for such program first proclaimed for the crop.

(E) DESIRED CARRYOVER.—The Secretary shall carry out an acreage limitation program described in paragraph (2) for a crop of upland cotton in a manner that will result in a carryover of 4 million bales of upland cotton or a ratio of carryover to total disappearance of 33 percent, whichever results in a higher carryover based on the Secretary's most recent projection of carryover and total disappearance at the time of announcement of the acreage limitation program. For the purpose of this subparagraph, the term "total disappearance" means all upland cotton utilization, including total domestic, total export, and total residual disappearance.

(F) EXCESS CARRYOVER.—If at the time of the final announcement of the acreage limitation program established under paragraph (2) it is determined that the carryover of upland cotton will be in excess of the amount specified in

subparagraph (E), notwithstanding the implementation of an acreage limitation program, the Secretary shall carry out a land diversion program as described in paragraph (5) in a manner that will result in a carryover specified in subparagraph (E).

(2) ACREAGE LIMITATION PROGRAM.—

(A) PERCENTAGE REDUCTIONS.—Except as provided in paragraph (3), if an upland cotton acreage limitation program is announced under paragraph (1), the limitation shall be achieved by applying a uniform percentage reduction (from 0 to 25 percent) to the upland cotton crop acreage base for the crop for each upland cotton-producing farm.

(B) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—Except as provided in section 505, producers who knowingly produce upland cotton in excess of the permitted upland cotton acreage for the farm, as established in accordance with subparagraph (A), shall be ineligible for upland cotton loans and payments with respect to that farm.

(C) CROP ACREAGE BASES.—Upland cotton crop acreage bases for each crop of upland cotton shall be determined under title V.

(D) ACREAGE DEVOTED TO CONSERVATION USES.—A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the upland cotton crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is hereinafter in this subsection referred to as "reduced acreage". The remaining acreage is hereinafter in this subsection referred to as "permitted acreage".

(E) INDIVIDUAL FARM PROGRAM ACREAGE.—Except as otherwise provided in subsection (c), the individual farm program acreage shall be the acreage planted on the farm to upland cotton for harvest within the permitted upland cotton acreage for the farm as established under this paragraph.

(F) PLANTING OILSEEDS OR OTHER CROPS ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm.

(ii) LIMITATIONS.—If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph—

(I) the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof), that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on

the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops; and

(II) the Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that this subparagraph will result in no additional cost to the Commodity Credit Corporation.

(G) PLANTING EXPERIMENTAL OR INDUSTRIAL NONPROGRAM CROPS, OR HARVESTING CONSERVING CROPS, ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may elect to—

(I) devote reduced acreage to an experimental or industrial nonprogram crop; or

(II) harvest a conserving crop on reduced acreage. determined and announced by the Secretary (hereinafter in this subparagraph referred to as an "approved crop").

(ii) LIMITATIONS.—If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

(3) TARGETED OPTION PAYMENTS.—

(A) IN GENERAL.—Notwithstanding any other provisions of this section, if the Secretary implements an acreage limitation program with respect to any of the 1991 through 1995 crops of upland cotton, the Secretary shall make available to producers on a farm who do not receive payments under subsection (c)(1)(D) for such crop on the farm, adjustments in the level of deficiency payments that would otherwise be made available to the producers if the producers exercise the payment options provided in this paragraph.

(B) PAYMENT OPTIONS.—The Secretary shall make the payment options specified in subparagraphs (C) and (D) available to producers who agree to make adjustments in the quantity of acreage diverted from the production of upland cotton under an acreage limitation program in accordance with this paragraph.

(C) INCREASED ACREAGE LIMITATION OPTION.—

(i) INCREASE IN ESTABLISHED PRICE.—A producer shall be eligible to receive an increase in the established price for upland cotton under clause (ii) if the producer agrees to an increase in the acreage limitation percentage to be applied to the producers' upland cotton acreage base above the acreage limitation percentage announced by the Secretary.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who participate in the program under this paragraph, the Secretary shall increase the established price for upland cotton by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1.0 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' upland cotton acreage base.

(iii) LIMITATION.—The acreage limitation percentage to be applied to the producers' upland cotton acreage base shall not be increased by more than 10 percentage points above the acreage limitation percentage announced by the Secretary for the crop or above 25 percent total for the crop.

(D) DECREASED ACREAGE LIMITATION OPTION.—

(i) DECREASE IN ACREAGE LIMITATION REQUIREMENT.—A producer shall be eligible to decrease the acreage limitation percentage applicable to the producers' upland cotton acreage base (as announced by the Secretary) if the producer agrees to a decrease in the established price for upland cotton under clause (ii) for the purpose of calculating deficiency payments to be made available to the producer.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who chose the option set forth in this subparagraph, the Secretary shall decrease the established price for upland cotton by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' upland cotton acreage base.

(iii) LIMITATION.—A producer may not choose to decrease the acreage limitation percentage applicable to the producers' upland cotton acreage base under this paragraph by more than one-half of the announced acreage limitation percentage.

(E) PARTICIPATION AND PRODUCTION EFFECTS.—Notwithstanding any other provision of this paragraph, the Secretary shall, to the extent practicable, ensure that the program provided for in this paragraph does not have a significant effect on program participation or total production.

(4) ADMINISTRATION.—

(A) PROTECTION FROM WEEDS AND EROSION.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses

shall assure protection of the acreage from weeds and wind and water erosion.

(B) ANNUAL OR PERENNIAL COVER.—

(i) IN GENERAL.—Except as provided in paragraph (2), a producer who participates in an acreage reduction program established for a crop of upland cotton under this subsection shall be required to plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the acreage that is required to be removed from the production of upland cotton, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop.

(ii) PERENNIAL COVER.—

(I) COST-SHARE ASSISTANCE.—If a producer elects to establish a perennial cover on the acreage, the Commodity Credit Corporation shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on not more than 50 percent of the acreage that is required to be diverted from production, but not to exceed 5 percent of the crop acreage base established for a crop.

(II) AGREEMENT OF PRODUCER.—If a producer elects to establish a perennial cover on the acreage under this subparagraph and receives cost-share assistance from the Corporation with respect to the cover, the producer, under such terms and conditions as may be prescribed by the Secretary, shall agree to maintain the perennial cover for a minimum of 3 years.

(iii) CONSERVING CROPS.—Notwithstanding any other provision of this subparagraph, the Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(C) HAYING AND GRAZING.—

(i) IN GENERAL.—Except as provided in clause (ii), haying and grazing of reduced acreage, acreage devoted to a conservation use under subsection (c)(1)(D)), and acreage diverted from production under a land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a

year. The State Committee shall announce the establishment of the 5-month period no later than January 1 of each year.

(ii) NATURAL DISASTERS.—In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on the acreage.

(D) ADDITIONAL PRACTICES.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for a period that the land remains in water storage uses, but not to exceed 5 years subsequent to its conversion to water storage uses.

(5) LAND DIVERSION PAYMENTS.—

(A) IN GENERAL.—The Secretary may make land diversion payments to producers of upland cotton, whether or not an acreage limitation program for upland cotton is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. The land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with the producers.

(B) AMOUNTS.—The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) ADVERSE EFFECTS ON COUNTY OR LOCAL COMMUNITY.—The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6) CONSERVATION PRACTICES.—

(A) WILDLIFE FOOD PLOTS OR HABITAT.—The reduced acreage and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph.

(B) PUBLIC ACCESSIBILITY.—The Secretary may provide for an additional payment on the acreage in an amount determined by the Secretary to be appropriate in relation to

the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7) PARTICIPATION AGREEMENTS.—

(A) EXECUTION.—Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe.

(B) TERMINATION OR MODIFICATION.—The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms terms and conditions of the program for the crop of upland cotton.

(f) INVENTORY REDUCTION PAYMENTS.—

(1) IN GENERAL.—The Secretary shall, for each of the 1991 through 1995 crops of upland cotton, make payments available to producers who meet the requirements of this subsection.

(2) FORM.—The payments may be made in the form of negotiable marketing certificates, subject to the terms and conditions provided in subsection (a)(5)(B).

(3) PAYMENTS.—Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(4) ELIGIBILITY.—A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan under subsection (a);

(B) agrees to forgo receiving payments under subsection (c);

(C) does not plant upland cotton for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (e); and

(D) otherwise complies with this section.

(g) DEFAULTS; WAIVER OF DEADLINES.—

(1) DEFAULTS.—If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans and payments, the Secretary may, nevertheless, make the loans and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) WAIVER OF DEADLINES.—The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet the

other requirements does not affect adversely the operation of the program.

(h) REGULATIONS.—The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(i) COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(j) ASSIGNMENT OF PAYMENTS.—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(k) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(l) TENANTS AND SHARECROPPERS.—The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(m) CROSS-COMPLIANCE.—

(1) IN GENERAL.—Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments under this section.

(2) COMPLIANCE ON OTHER FARMS.—The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments under this section for the farm, to comply with the terms and conditions of the upland cotton program with respect to any other farm operated by the producers.

(n) SPECIAL LIMITED GLOBAL IMPORT QUOTA.—

(1) IN GENERAL.—Whenever the Secretary determines that the average price of the base quality of upland cotton, as determined by the Secretary, in the designated spot markets for a month exceeded 130 percent of the average price of the quality of cotton in the markets for the preceding 36 months, notwithstanding any other provision of law, the President shall immediately establish and proclaim a special limited global import quota for upland cotton subject to the following conditions:

(A) GENERAL QUANTITY.—The quantity of the special quota shall be equal to 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

(B) SUCCESSOR QUOTA.—If a special quota has been established under this subsection during the preceding 12 months, the quantity of the quota next established under this subsection shall be the smaller of 21 days of domestic mill consumption calculated as set forth in subparagraph (A) or the quantity required to increase the supply to 130 percent of the demand.

(C) DEFINITIONS.—As used in subparagraph (B):

(i) SUPPLY.—The term "supply" means, using the latest official data of the Bureau of the Census, the De-

partment of Agriculture, and the Department of the Treasury—

(I) the carryover of upland cotton at the beginning of the marketing year (adjusted to 480-pound bales) in which the special quota is established; plus

(II) production of the current crop; plus

(III) imports to the latest date available during the marketing year.

(ii) DEMAND.—The term "demand" means—

(I) the average seasonally adjusted annual rate of domestic mill consumption in the most recent 3 months for which data are available; plus

(II) the larger of—

(aa) average exports of upland cotton during the preceding 6 marketing years; or

(bb) cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the special quota is established.

(D) ENTRY OF COTTON.—When a special quota is established under this subsection, cotton may be entered under the quota during the 90-day period beginning on the effective date of the proclamation.

(2) NO OVERLAP.—Notwithstanding paragraph (1), a special quota period may not be established that overlaps an existing quota period or a special quota period established under subsection (a)(5)(F).

(o) RECOURSE LOANS FOR SEED COTTON.—In order to encourage and assist producers in the orderly ginning and marketing of their production of upland cotton, the Secretary shall make recourse loans available to such producers on seed cotton in accordance with authority vested in the Secretary under the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.).

(p) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of upland cotton.

[FEED GRAIN PROGRAM]

SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1959 crop, price support shall be made available to producers for each crop of corn at 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantities of low-grade corn marketed during any of such year: *Provided*, That the level of price support for any crop of corn shall not be less than 65 per centum of the parity price therefor.

(b) Beginning with the 1959 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghums at such level of the parity price therefor as the Secretary of Agriculture determines is fair and reasonable in relation to the

level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn, and the other factors set forth in section 401 (b) hereof.

[[LOAN RATES AND TARGET PRICES FOR 1977 THROUGH 1981 FEED GRAIN CROPS]

[SEC. 105A.]

[[LOAN RATES AND TARGET PRICES FOR 1982 THROUGH 1985 FEED GRAIN CROPS]

[SEC. 105B.]

[[LOAN RATES AND TARGET PRICES FOR 1986 THROUGH 1990 FEED GRAIN CROPS]

[SEC. 105C. Notwithstanding any other provision of law:

[(a)(1) Except as provided in paragraph (2) through (4), the Secretary shall make available to producers loans and purchasers for each of the 1986 through 1990 crops of corn as such level as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn.

[(2) Except as provided in paragraph (3), the loan and purchase level determined under paragraph (1) shall—

[(A) in the case of the 1986 crop of corn, not be less than $2.40 per bushel; and

[(B) in the case of each of the 1987 through 1990 crops of corn, not be less than 75 percent, not more than 85 percent, of the simple average price received by producers of corn, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of corn, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the loan and purchase level for a crop determined under this clause may not be reduced by more than—

[(i) in the case of the 1987 crop, 5 percent from the level determined for the preceding crop;

[(ii) in the case of the 1988 crop, 3 percent from the level determined for the preceding crop;

[(iii) in the case of the 1989 crop, 5 percent from the level determined for the preceding crop, plus an additional 2 percent from the level determined for the preceding crop if the Secretary, after taking into account any reduction that is provided for under paragraph (3)(A)(ii), determines that such additional percentage reduction is necessary to maintain a competitive market position for feed grains; and

[(iv) in the case of the 1990 crop, 5 percent from the level determined for the preceding crop.

[(3)(A) Except as provided in subparagraph (B), if the Secretary determines that the average price received by producers for corn in the previous marketing year was not more than 110 percent of the loan and purchase level for corn for such marketing year or deter-

mines that such action is necessary to maintain a competitive market position for feed grains, the Secretary—

[(i) in the case of the 1986 crop of corn, shall reduce the loan and purchase level for corn for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain but not less than 10 percent of the loan and purchase level for such crop; and

[(ii) in the case of each of the 1987 through 1990 crops of corn, may reduce the loan and purchase level for corn for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain.

[(B) The loan and purchase level may be reduced under subparagraph (A) by more than 20 percent in any year.

[(C) Any reduction in the loan and purchase level for corn under this paragraph shall not be considered in determining the loan and purchase level for corn for subsequent years.

[(4)(A) The Secretary may permit a producer to repay a loan made under paragraph (1) or (6) for a crop at a level that is the lesser of—

[(i) the loan level determined for such crop; or

[(ii) the higher of—

[(I) 70 percent of such level;

[(II) if the loan level for a crop was reduced under paragraph (3), 70 percent of the loan level that would have been in effect but for the reduction under paragraph (3); or

[(III) the prevailing world market price for feed grains, as determined by the Secretary.

[(B) If the Secretary permits a producer to repay a loan in accordance with subparagraph (A), the Secretary shall prescribe by regulation—

[(i) a formula to define the prevailing world market price for feed grains; and

[(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for feed grains.

[(5) For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

[(6) The Secretary shall make available to producers loans and purchases for each of the 1986 through 1990 crops of grain sorghums, barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b).

[(b)(1) The Secretary may, for each of the 1986 through 1990 crops of corn, grain, sorghums, barley, oats, and rye, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining such loan or agreement in return for such payments.

[(2) A payment under this subsection shall be computed by multiplying—

[(A) the loan payment rate; by

[(B) the quantity of such feed grains the producer is eligible to place under loan.

[(3) For purposes of this subsection, the quantity of feed grains eligible to be placed under loan may not exceed the product obtained by multiplying—

[(A) the individual farm program acreage for the crop; by

[(B) the farm program payment yield established for the farm.

[(4) For purposes of this subsection, the loan payment rate shall be the amount by which—

[(A) the loan level determined for such crop under subsection (a); exceeds

[(B) the level at which a loan may be repaid under subsection (a).

[(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1990 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley, in an amount computed by multiplying—

[(i) the payment rate; by

[(ii) the individual farm program acreage for the crop; by

[(iii) the farm program payment yield for the crop for the farm.

[(B)(i) If an acreage limitation program under subsection (f)(2) is in effect for a crop of feed grains and the producers on a farm devote a portion of the permitted feed grain acreage of the farm (as determined in accordance with subsection (f)(2)(A) equal to more than 8 percent of the permitted feed grain acreage of the farm for the crop, or all of such permitted acreage (as provided in the second sentence of clause (ii)), to conservation uses (except as provided in subparagraph (I))—

[(I) such portion (or all) of the permitted feed grain acreage of the farm in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (I)) shall be considered to be planted to feed grains for the purpose of determining the individual farm program acreage in accordance with subsection (f)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (f)(2)(D); and

[(II) the producers shall be eligible for payments under this paragraph on such acreage.

[(ii) Notwithstanding any other provision of this section, any producer who elects to devote all or a portion of the permitted feed grain acreage of the farm to conservation uses (or other uses as provided in subparagraph (I)) under this subparagraph shall receive deficiency payments on the acreage that is considered to be planted to feed grains and eligible for payments under this subparagraph for such crop at a per-bushel rate established by the Secretary, except that such rate may not be established at less than the projected deficiency payment rate for the crop, as determined by the Secretary. Such projected payment rate for the crop shall be announced by the Secretary prior to the period during which feed grain producers may agree to participate in the program for such crop.

[(iii) The Secretary shall implement this subparagraph in such a manner as to minimize the adverse effect on agribusiness and other agriculturally related economic interests within any county, State, or region. In carrying out this subparagraph, the Secretary is authorized to restrict the total amount of feed grain acreage that may be taken out of production under this subparagraph, taking into consideration the total amount of feed grain acreage that has or will be removed from production under other price support, production adjustment, or conservation program activities. No restrictions on the amount of acreage that may be taken out of production in accordance with this subparagraph in a crop year shall be imposed in the case of a county in which producers were eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of a disaster that occurred during such crop year.

[(iv) The feed grain crop acreage base and feed grain program payment yield of the farm shall not be reduced due to the fact that such portion (or all) of the permitted acreage of the farm was devoted to conserving uses (except as provided in subparagraph (I)) under this subparagraph.

[(v) Other than as provided in clauses (i) through (iv), payments may not be made under this paragraph for any crop on a greater acreage than the acreage actually planted to feed grains.

[(vi) Any acreage considered to be planted to feed grains in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

[(C)(i) Except as provided in clause (ii), the payment rate for corn shall be the amount by which the established price for the crop of corn exceeds the higher of—

[(I) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

[(II) the loan level determined for such crop, prior to any adjustment made under subsection (a)(3) for the marketing year for such crop of corn.

[(ii) If the national weighted average market price received by producers during the first 5 months of the marketing year for a crop, as determined by the Secretary, exceeds $2.04 per bushel for the 1986 crop of corn, $2.19 per bushel for the 1987 crop, and $2.24 per bushel for the 1988 crop, at the option of the Secretary, the payment rate for such crop of corn shall be the amount by which the established price for the crop of corn exceeds the higher of—

[(I) $2.04 per bushel for the 1986 crop, $2.19 per bushel for the 1987 crop, and $2.24 per bushel for the 1988 crop; or

[(II) the loan level determined for such crop, prior to any adjustment made under subsection (a)(3) for the marketing year for such crop of corn.

[(D)(i) Notwithstanding the foregoing provisions of this section, if the Secretary adjusts the level of loans and purchases for feed grains under subsection (a)(3), the Secretary shall provide emergency compensation by increasing the established price payments for feed grains by such amount as the Secretary determines necessary

to provide the same total return to producers as if the adjustment in the level of loans and purchases had not been made, taking into consideration any payments made as the result of subparagraph (C)(ii).

[(ii) In determining the payment rate, per bushel, for established price payments for a crop of feed grains under this subparagraph, the Secretary shall use the national weighted average market price, per bushel of wheat, received by producers during the marketing year for such crop, as determined by the Secretary.

[(E) The established price for corn shall not be less than $3.03 per bushel for each of the 1986 and 1987 crops, $2.93 per bushel for the 1988 crop, $2.84 per bushel for the 1989 crop, and $2.75 per bushel for the 1990 crop.

[(F) the payment rate for grain sorghums, oats, and, if designated by the Secretary, barley, shall be such rate as the Secretary determines is fair and reasonable in relation to the rate at which payments are made available for corn.

[(G) The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

[(H) The Secretary may pay not more than 5 percent of the total amount of a payment made under this paragraph in the form of feed grains. The use of feed grains in making payments to producers shall be subject to a determination by the Secretary of the effect that such in-kind payments will have on market prices for any commodity. The Secretary shall report such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculturre, Nutrition, and Forestry of the Senate.

[(I) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

[(i) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

[(ii) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

[(2)(A)(i) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for feed grains to feed grains or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

[(I) the number of acres so affected but not to exceed the acreage planted to feed grains for harvest (including any acreage that the producers were prevented from planting to feed grains or other nonconserving crops in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by

[(II) 75 percent of the farm program payment yield established by the Secretary; by

[(III) a payment rate equal to 33⅓ percent of the established price for the crop.

[(ii) Payments made by the Secretary under this subparagraph may be made in the form of cash or from stocks of feed grains held by the Commodity Credit Corporation.

[(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of feed grains that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

[(C) Producers on a farm shall not be eligible for—

[(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the feed grain acreage of the producers; or

[(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the feed grain acreage of the producers.

[(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to the producers on a farm under this paragraph if the Secretary determines that—

[(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting feed grains or other nonconserving crops or from reduced yeilds;

[(II) such losses have created an economic emergency for the producers;

[(III) crop insurance idemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of

assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

[(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

[(ii) The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

[(d)(1)(A) Except for a crop with respect to which there is an acreage limitation program in effect under subsection (f), the Secretary shall proclaim a national program acreage for each of the 1986 through 1990 crops of feed grains. The proclamation shall be made not later than September 30 of each calendar year for the crop harvested in the next succeeding calendar year, except that in the case of the 1986 crop, the proclamation shall be made as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23, 1985].

[(B) The Secretary may revise the national program acreage first proclaimed for any crop year for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

[(C) The national program acreage for feed grains shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

[(D) If the Secretary determines that carryover stocks of feed grains are excessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

[(E) This subsection shall not apply to the 1990 crop of oats.

[(2) The Secretary shall determine a program allocation factor for each crop of feed grains. The allocation factor for feed grains shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop, except that in no event shall the allocation factor for any crop of feed grains be more than 100 percent nor less than 80 percent.

[(3)(A) Except as provided in subsection (f)(2), the individual farm program acreage for each crop of feed grains shall be determined by multiplying the allocation factor by the acreage of feed grains planted for harvest on the farms for which individual farm program acreages are required to be determined.

[(B) The individual farm program acreage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of feed grains planted for harvest on the farm

from the crop acreage base established for the farm under title V by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

[(C) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of feed grains planted for harvest is less than the crop acreage base established for the farm under title V, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

[(D) In establishing the allocation factor for feed grains, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

[(e) The farm program payment yields for farms for each crop of feed grains shall be determined under title V.

[(f)(1)(A)(i) Notwithstanding any other provision of this Act, except as provided in subparagraphs (B) through (D), if the Secretary determines that the total supply of feed grains, in the absence of an acreage limitation or set-aside program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of feed grains either an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3).

[(ii) In making a determination under clause (i), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under section 1231 of the Food Security Act of 1985.

[(iii) If the Secretary elects to put either of such programs into effect for any crop year, the Secretary shall announce any such program not later than September 30 prior to the calendar year in which the crop is harvested, except that in the case of the 1986 crop, the Secretary shall announce such program as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23, 1985].

[(iv) Not later than Novermber 15 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in an announcement made under clause (iii) if the Secretary determines that there has been a significant change in the total supply of feed grains since the program was first announced.

[(B) In the case of the 1986 crop of feed grains, if the Secretary estimates, as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23 1985], that the quantity of corn on hand in the United States on the first day of the marketing year for that crop (not including any quantity of corn of that crop) will be—

[(i) more than 2,000,000,000 bushels, the Secretary shall provide for—

[(I) an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not less than 12½ percent nor more than 17½ percent; and

[(II) a land diversion program (as described in paragraph (5)) with in-kind payments under which the acreage

planted to feed grains for harvest on a farm would be limited to the feed grain acreage crop base for the farm for the crop reduced by not less than an amount equivalent to 2½ percent of the feed grain crop acreage base, in addition to any reduction required under subclause (I); or

[(ii) 2,000,000,000 bushels or less, the Secretary may provide for—

[(I) an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not more than 12½ percent; and

[(II) a land diversion program as described in paragraph (5).

[(C)(i) In the case of each of the 1987 through 1989 crops of feed grains, if the Secretary estimates, not later than September 30 of the year previous to the year in which the crop is harvested, that the quantity of corn on hand in the United States on the first day of the marketing year for that crop (not including any quantity of corn of that crop) will be—

[(I) more than 2,000,000,000 bushels, the Secretary shall provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not less than 12½ percent nor more than 20 percent; or

[(II) 2,000,000,000 bushels or less, the Secretary may provide for such an acreage limitation program under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not more than 12½ percent.

[(ii) In the case of the 1990 crop of feed grains, if the Secretary estimates, not later than September 30, 1989, that the quantity of corn on hand in the United States on the first day of the marketing year for that crop (not including any quantity of corn of that crop) will be—

[(I) more than 2,000,000,000 bushels, the Secretary shall provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not less than 12½ percent nor more than 20 percent;

[(II) less than 2,000,000,000 bushels but more than 1,800,000,000 bushels, the Secretary shall provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acreage base for the farm for the crop reduced by not less than 10 percent nor more than 12½ percent; or

[(III) 1,800,000,000 bushels or less, the Secretary may provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to feed grains for harvest on a farm would be limited to the feed grain crop acre-

age base for the farm for the crop reduced by not more than 10 percent.

[(D) As a condition of eligibility for loans, purchases, and payments for any such crop of feed grains, except as provided in subsection (g), the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, the land diversion program, as provided in paragraph (1)(B)(i)(I).

[(E) As a condition of eligibility for loans, purchases, and payments for the 1990 crop of oats, the producers of oats on a farm may not plant oats in excess of the crop acreage base for the farm.

[(2)(A) If a feed grain acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction to the feed grain crop acreage base for the crop for each feed grain-producing farm.

[(B) Except as provided in subsection (g), producers who knowingly produce feed grains in excess of the permitted feed grain acreage for the farm shall be ineligible for feed grain loans, purchases, and payments with respect to that farm.

[(C) The Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for feed grain loans, purchases, and payments to comply with any acreage limitation under this paragraph if such producer has previously produced a malting variety of barley for harvest, plants barley only of an acceptable malting variety for harvest, and meets such other conditions as the Secretary may prescribe.

[(D) Feed grain crop acreage bases for each crop of feed grains shall be determined under title V.

[(E)(i) A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by dividing—

[(I) the product obtained by multiplying the number of acres required to be withdrawn from the production of feed grains times the number of acres planted to such commodity; by

[(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary.

[(ii) The number of acres so determined is hereafter in this subsection referred to as "reduced acreage".

[(F) If an acreage limitation program is announced under paragraph (1) for a crop of feed grains, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. Except as otherwise provided in subsection (c)(1)(B), the individual farm program acreage shall be the acreage planted on the farm to feed grains for harvest within the permitted feed grain acreage for the farm as established under this paragraph.

[(G)(i) In the case of the 1988 through 1990 crops of oats, the Secretary shall not establish a percentage reduction in accordance with paragraph (1) in excess of 5 percent. In implementing this subparagraph, the Secretary shall issue regulations that provide for the fair and equitable treatment of producers on a farm for which an oat and barley crop acreage base has been established. To ensure the efficient and fair implementation of this subparagraph, the Secretary shall announce revisions of the acreage limitation program for the 1988 crop of feed grains that implement this sub-

paragraph as soon as practicable after the date of enactment of the Agricultural Reconciliation Act of 1987 [December 22, 1987]. In the case of the 1990 crop of oats, the Secretary may waive the application of this subparagraph if the Secretary determines that the supply of oats will be excessive.

[(ii) In the case of the 1990 crop of oats, the Secretary may establish a percentage reduction for oats in accordance with paragraph (1) of less than 5 percent. If the Secretary does not establish a percentage reduction requirement of oats, the Secretary shall ensure that the crop acreage bases established for the farm and the farm acreage base are not increased as a result of this clause.

[(3)(A) If a set-aside program is announced under paragraph (1), as a condition of eligibility for loans, purchases, and payments for feed grains authorized by this Act (except as provided in subsection (g)), the producers on a farm must—

[(i) set aside and devote to conservation uses an acreage of cropland equal to a specified percentage, as determined by the Secretary, of the acreage of feed grains planted for harvest for the crop for which the set-aside is in effect; and

[(ii) otherwise comply with the term of such program.

[(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

[(C) If a set-aside program is established, the Secretary may limit the acreage planted to feed grains. Such limitation shall be applied on a uniform basis to all feed grain-producing farms.

[(D) The Secretary may make such adjustments in individual set-aside acreages under this section as the Secretary determines necessary—

[(i) to correct for abnormal factors affecting production; and

[(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

[(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure protection of such acreage from weeds and wind and water erosion.

[(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely

[(C)(i) Except as provided in clauses (ii) and (iii), haying and grazing of acreage designated as conservation use acreage for the purpose of meeting any requirements established under an acreage limitation program (including a program conducted under subsection (c)(1)(B)), set-aside program, or land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domes-

tic Allotment Act (16 U.S.C. 590h(b)) for a State. Such 5-month period shall be established during the period beginning April 1, and ending October 31, of a year.

[(ii) In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on such acreage.

[(iii) Haying and grazing shall not be permitted for any crop under clause (i) if the Secretary determines that haying and grazing would have an adverse economic effect.

[(D) In determining the quantity of land to be devoted to conservation uses under an acreage limitation or set-aside program with respect to land that has been farmed under summer fallow practices, as defined by the Secretary, the Secretary shall consider the effects of soil erosion and such other factors as the Secretary considers appropriate.

[(5)(A) The Secretary may make land diversion payments to producers of feed grains, whether or not an acreage limitation or set-aside program for feed grains is in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

[(B) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or such other means as the Secretary determines appropriate. In determining the acceptability of contract officers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

[(C) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

[(D)(i) In the case of the 1988 and 1989 crops of corn, grain sorghums, and barley, except as provided in clause (ii), the Secretary shall make land diversion payments to producers of corn, grain sorghums, and barley, in accordance with this paragraph, under which the required reduction in the crop acreage base shall be 10 percent and the diversion payment rate shall be $1.75 per bushel for corn. The Secretary shall establish the diversion payment rate for grain sorghums and barley at such level as the Secretary determines is fair and reasonable in relation to the rate established for corn.

[(ii) In the case of the 1989 crop of corn, grain sorghums, or barley, the Secretary may waive the application of clause (i) if the Secretary determines that it is necessary to maintain an adequate supply of corn, grain, sorghums, or barley.

[(6)(A) Any reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

[(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

[(C) The Secretary may also pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by the producer on reduced acreage, set-aside acreage, or additional diverted acreage.

[(D) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

[(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

[(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

[(8) Notwithstanding the foregoing provisions of this subsection, in carrying out the program conducted under this subsection, the Secretary may prescribe production targets for participating farms expressed in bushels of production so that all participating farms achieve the same pro rata reduction in production as prescribed by the national production targets.

[(g)(1) The Secretary may, for each of the 1986 through 1990 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley, make payments available to producers who meet the requirements of this subsection.

[(2) Such payments shall be—

[(A) made in the form of such feed grains, respectively, owned by the Commodity Credit Corporation; and

[(B) subject to the availability of such feed grains.

[(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

[(B) The quantity of feed grains to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

[(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

[(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

[(B) agrees to forgo receiving payments under subsection (c);

[(C) does not plant feed grains for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

[(D) otherwise complies with this section.

[(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secre-

tary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

[(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

[(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

[(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

[(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

[(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

[(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

[(n)(1) Except as provided in paragraphs (2) and (3), compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans, purchases, or payments under this section.

[(2) The Secretary may require that, as a condition of eligibility of producers on a farm for loans, purchases, or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect not exceed the crop acreage base for that commodity.

[(3) If a set-aside program is established for a crop of feed grains under subsection (f)(3), compliance on a farm with the terms and conditions of any other commodity program may be required as a condition of eligibility for loans, purchases, or payments under this section.

SEC. 105A. LOANS, PAYMENTS, AND ACREAGE REDUCTION PROGRAMS FOR THE 1991 THROUGH 1995 CROPS OF FEED GRAINS.

(a) LOANS AND PURCHASES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the Secretary shall make available to producers on a farm loans and purchases for each of the 1991 through 1995 crops of corn produced on the farm at such level as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn.

(2) MINIMUM LEVELS.—The Secretary shall determine the loan and purchase level for a crop of corn under paragraph (1) in accordance with subparagraph (A) or (B), as follows:

(A) BASIC LEVEL.—If the Secretary elects to establish the loan and purchase level for corn under this subparagraph, the loan and purchase level shall not be less than 75 percent, nor more than 85 percent, of the simple average price

received by producers of corn, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of corn, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period, except that the loan and purchase level for a crop determined under this subparagraph may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $1.96 per bushel.

(B) ADJUSTED LEVEL.—If the Secretary elects to establish the loan and purchase level for corn under this subparagraph, the level shall be established as follows:

(i) IN GENERAL.—Except as provided in clause (ii), the loan and purchase level shall not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of corn, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of corn, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period, except that the loan and purchase level for a crop determined under this subparagraph may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $1.96 per bushel.

(ii) ADJUSTMENTS TO SUPPORT LEVEL.—If the Secretary determines that the average price received by producers for corn in the previous marketing year was not more than 110 percent of the loan and purchase level for corn for the marketing year or determines that the action is necessary to maintain a competitive market position for corn, the Secretary may reduce the loan and purchase level for corn for the corresponding crop by an amount the Secretary determines necessary to maintain domestic and export markets for corn, but not more than 20 percent in any year.

(iii) NO EFFECT ON FUTURE YEARS.—Any reduction in the loan and purchase level for corn under clause (ii) shall not be considered in determining the loan and purchase level for corn for subsequent years.

(iv) REPORT TO CONGRESS.—If the Secretary elects to establish the loan and purchase level for corn under this subparagraph, the Secretary shall, within 30 days of the election, submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report—

(I) outlining the budget implications of the election;

(II) describing the anticipated effect on farm income of the election;

(III) describing why an adjustment under clause (ii) is necessary to prevent the build-up of stocks and to maintain price competitiveness; and

(IV) describing the anticipated effect on the orderly marketing of the crop of corn of the election.

(v) ADVANCE COMPENSATION.—

(I) IN GENERAL.—If the loan and purchase level for a crop of corn is reduced under clause (ii), the Secretary shall make advance compensation available to producers of the crop in accordance with this clause.

(II) AMOUNT.—The amount of the advance compensation available for a crop under this clause shall not be less than an amount determined by multiplying—

(aa) the estimated individual farm program acreage for the crop; by

(bb) the farm program payment yield for the crop; by

(cc) an amount determined by multiplying 0.75 by the amount of the reduction in the loan level for the crop under clause (ii).

(III) REPAYMENT OF ADVANCE COMPENSATION.—A producer who received advance compensation for a crop under this clause shall repay the advance compensation to the Secretary not later than 270 days after the beginning of the marketing year for the crop.

(3) REPAYMENT OF LOAN.—

(A) IN GENERAL.—The Secretary shall permit a producer to repay a loan made under this subsection for a crop at a level (except as provided in subparagraph (c)) that is lesser of—

(i) the loan level determined for the crop; or

(ii) the prevaling world market price for the crop, as determined by the Secretary.

(B) PREVAILING WORLD MARKET PRICE.—The Secretary shall prescribe by regulation—

(i) a formula to determine the prevailing world market price for feed grains, adjusted to United States quality and location; and

(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for the crop.

(C) ALTERNATIVE REPAYMENT RATES.—For each of the 1991 through 1995 crops of feed grains, if the world market price for feed grains (adjusted to United States quality and location) as determined by the Secretary, is less than the loan level determined for the crop, the Secretary may permit a producer to repay a loan made under this subsection for a crop at such level (not in excess of the loan level determined for the crop) as the Secretary will—

(i) minimize potential loan forfeitures;

(ii) minimize the accumulation of feed grain stocks by the Federal Government;

(iii) minimize the cost incurred by the Federal Government in storing feed grains; and

(iv) allow feed grains produced in the United States to be marketed freely and competitively, both domestically and internationally.

(4) SIMPLE AVERAGE PRICE.—For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(5) OTHER FEED GRAINS.—The Secretary shall make available to producers loans and purchases for each of the 1991 through 1995 crops of gran sorghums, barley, oats, and rye, respectively, produced on the farm at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of the commodity in relation to corn and other factors specified in section 401(b).

(b) LOAN DEFICIENCY PAYMENTS.—

(1) IN GENERAL.—The Secretary may, for each of the 1991 through 1995 crops of feed grains, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement in return for payments under this subsection.

(2) COMPUTATION.—A payment under this subsection shall be computed by multiplying—

(A) the loan payment rate; by

(B) the quantity of feed grains the producer is eligible to place under loan (or obtain a purchase agreement) but forgoes obtaining the loan or agreement in return for payments under this subsection.

(3) LOAN PAYMENT RATE.—For purposes of this subsection, the loan payment rate shall be the amount by which—

(A) the loan level determined for the crop of feed grains under subsection (a); exceeds

(B) the level at which a loan may be repaid under subsection (a).

(c) PAYMENTS.—

(1) DEFICIENCY PAYMENTS.—

(A) IN GENERAL.—The Secretary shall make available to producers payments (also referred to in this section as 'deficiency payments') for each of the 1991 through 1995 crops of corn, grain sorghums, oats, and barley, in an amount computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop for the farm.

(B) PAYMENT RATE.—The payment rate for a crop of corn, grain sorghums, oats, and barley shall be the amount by which the established price for the crop exceeds the higher of—

(i) the national weighted average market price received by producers during the first 5 months of the

marketing year for the crop, as determined by the Secretary; or

(ii) the loan level determined for the crop.

(C) ESTABLISHED PRICES.—

(i) CORN.—The established price for corn shall not be less than $2.75 per bushel for each of the 1991 through 1995 crops of corn.

(ii) OATS.—The established price for oats shall not be less than $1.55 per bushel for the 1991 crop, $1.65 per bushel for the 1992 crop, $1.75 per bushel for the 1993 crop, and $1.85 per bushel for each of the 1994 and 1995 crops.

(iii) GRAIN SORGHUMS AND BARLEY.—The established price for each of the 1991 through 1995 crops of grain sorghums and barley shall be not less than $2.61 per bushel for grain sorghums and not less than $2.36 per bushel for barley.

(iv) ADJUSTMENT FOR BARLEY.—For the purposes of determining the payment rate for a crop of barley under subparagraph (B), the Secretary shall include feed barley prices and malting barley prices in the computation of the national weighted average market price for barley, except that the Secretary shall exclude the portion of average malting barley prices received by producers that exceeds prices received by producers for feed barley by more than $0.22 per bushel.

(D) EMERGENCY COMPENSATION.—

(i) SAME TOTAL RETURN TO PRODUCERS.—Notwithstanding the foregoing provisions of this section, if the Secretary adjusts the level of loans and purchases for feed grains under subsection (a)(2)(B)(ii), the Secretary shall provide emergency compensation by increasing the deficiency payments for feed grains by such amount as the Secretary determines necessary to provide the same total return to producers as if the adjustment in the level of loans and purchases had not been made, taking into consideration any deficiency payments made under this subsection.

(ii) CALCULATION.—In determing the payment rate, per bushel, for emergency compensation payments for a crop of feed grains under this subparagraph, the Secretary shall use the national weighted average market price, per bushel of feed grains, received by producers during the first 5 months of the marketing year for each of the 1991 through 1995 crops.

(E) DEVOTING ACREAGE TO CONSERVATION USES.—

(i) ACREAGE CONSIDERED PLANTED.—If an acreage limitation program under subparagraph (e)(2) is in effect for a crop of feed grains and the producers on a farm devote a portion of the permitted feed grain acreage of the farm (as determined in accordance with subsection (e)(2)(A)) equal to more than 8 percent of the permitted feed grain acreage of the farm for the crop or

all of such permitted acreage, to conservation uses (except as provided in subparagraph (F))—

(I) the portion (or all) of the permitted feed grain acreage of the farm in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (F)) shall be considered to be planted to feed grains for the purpose of determining the individual farm program acreage in accordance with subsection (e) and for the purpose of determing the acreage on the farm required to be devoted to conservation uses in accordance with subsection (e)(2)(C); and

(II) the producers shall be eligible for payments under this paragraph on such acreage.

(ii) PAYMENTS.—Notwithstanding any other provision of this section, any producer who elects to devote all or a portion of the permitted feed grain acreage of the farm to conservation uses (or other uses as provided in subparagraph (F)) under this subparagraph shall receive deficiency payments on the acreage that is considered to be planted and eligible for payments under this subparagraph for the crop at a per-bushel rate established by the Secretary, except that the rate may not be established at less than the projected deficiency payment rate for the crop, as determined by the Secretary. The projected payment rate for the crop shall be announced by the Secretary prior to the period during which feed grain producers may agree to participate in the program for the crop.

(iii) ADVERSE EFFECT ON AGRIBUSINESS AND OTHER INTERESTS.—The Secretary shall implement this subparagraph in such a manner as to minimize the adverse effect on agribusiness and other agriculturally related economic interests within any county, State, or region. In carrying out this subparagraph, the Secretary is authorized to restrict the total quantity of acreage that may be taken out of production under this subparagraph, taking into consideration the total quantity of acreage that has or will be removed from production under other price support, production adjustment, or conservation program activities. No restrictions on the quantity of acreage that may be taken out of production in accordance with this subparagraph in a crop year shall be imposed in the case of a county in which producers were eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of a disaster that occurred during the crop year.

(iv) CROP ACREAGE AND PAYMENT YIELD.—The feed grain crop acreage base and feed grain farm program payment yield of the farm shall not be reduced due to the fact that a portion (or all) of the permitted feed grain acreage of the farm was devoted to conserving

uses (except as provided in subparagraph (F)) under this subparagraph.

(v) LIMITATION.—Other than as provided in clauses (i) through (iv), payments may not be made under this paragraph for any crop of feed grains on a greater acreage than the acreage actually planted to feed grains.

(vi) CONSERVATION USE ACREAGE UNDER OTHER PROGRAMS.—Any acreage considered to be planted to feed grains in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

(F) PLANTING OTHER CROPS ON CONSERVATION USE ACREAGE.—

(i) INDUSTRIAL AND OTHER CROPS.—The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (E) to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago, ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf and milkweed), subject to the following sentence. The Secretary may permit the acreage to be devoted to the production only if the Secretary determines that—

(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material.

(ii) OILSEEDS.—The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (E) to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). In implementing this clause, the Secretary shall provide that, in order to receive payments under subparagraph (E), the producers shall agree to forgo eligibility to receive a loan under section 205 for the crop of any such oilseeds produced on the farm.

(G) REDUCTION FOR DISASTER PAYMENTS.—The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(2) DISASTER PAYMENTS.—

(A) PREVENTED PLANTING.—Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for feed grains to feed grains or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to feed grains for harvest (including acreage that the producers were prevented from planting to feed grains or other nonconserving crops in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the established price for the crop.

(B) REDUCED YIELDS.—Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of feed grains that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for the crop by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

(C) CROP INSURANCE.—Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the feed grain acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the feed grain acreage of the producers.

(D) ADMINISTRATION.—

(i) ECONOMIC EMERGENCIES.—Notwithstanding subparagraph (C), the Secretary may make a disaster pay-

ment to the producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting feed grains or other nonconserving crops or from reduced yields;

(II) the losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to the producers for the losses are insufficient to alleviate the economic emergency; and

(IV) additional assistance must be made available to the producers to alleviate the economic emergency.

(ii) ADJUSTMENTS.—The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an individual farm so as to ensure the equitable allotment of the payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(d) PAYMENT YIELDS.—The farm program payment yields for farms for each crop of feed grains shall be determined under title V.

(e) ACREAGE REDUCTION PROGRAMS.—

(1) IN GENERAL.—

(A) ESTABLISHMENT.—Notwithstanding any other provision of this Act, except as provided in subparagraph (E), if the Secretary determines that the total supply of corn, grain sorghum, barley, or oats, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any of the crops an acreage limitation program as described in paragraph (2).

(B) CONSERVATION STEWARDSHIP PROGRAM.—In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

(C) ANNOUNCEMENTS.—If the Secretary elects to implement an acreage limitation program for any crop year, the Secretary shall announce the program not later than September 30 prior to the calendar year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section.

(D) ADJUSTMENTS.—Not later than November 15 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the program an-

nounced under subparagraph (C) if the Secretary determines that there has been a significant change in the total supply of feed grains since the program was first announced.

(E) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—As a condition of eligibility for loans, purchases, and payments for any such crop of feed grains, except as provided in subsections (f) and (g) and section 505, the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, a land diversion program.

(F) CARRYOVER STOCKS.—In the case of each of the 1991 through 1995 crops of feed grains, if the Secretary estimates for a marketing year for the crop that the ratio of corn-ending stocks to total disappearance of corn for the preceding marketing year will be—

(i) more than 25 percent, the Secretary shall provide for an acreage reduction program (as described in paragraph (2)) under which the acreage planted to corn for harvest on a farm would be limited to the corn crop acreage base for the farm reduced by not less than 12.5 percent nor more than 20 percent; or

(ii) 25 percent or less, the Secretary may provide for such an acreage reduction program under which the acreage planted to corn for harvest on a farm would be limited to the corn crop acreage base for the farm reduced by not more than 12.5 percent.

For the purpose of this subparagraph, the term "total disappearance" means all corn utilization, including total domestic, total export, and total residual disappearance.

(2) ACREAGE LIMITATION PROGRAM.—

(A) PERCENTAGE REDUCTIONS.—Except as provided in paragraph (3), if a feed grain acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction (from 0 to 20 percent) to the crop acreage base for corn, grain sorghum, barley, or oats, respectively, for each feed grain-producing farm.

(B) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—Except as provided in subsection (g) and section 505, producers who knowingly produce feed grains in excess of the permitted feed grain acreage for the farm shall be ineligible for feed grain loans, purchases, and payments with respect to that farm.

(C) CROP ACREAGE BASES.—Feed grain crop acreage bases for each crop of feed grains shall be determined under title V.

(D) ACREAGE DEVOTED TO CONSERVATION USES.—A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the respective feed grain crop acreage base by the percentage reduction required by the Secretary. The number of acres so

determined is hereinafter in this subsection referred to as "reduced acreage". The remaining acreage is hereinafter in this subsection referred to as "permitted acreage".

(E) INDIVIDUAL FARM PROGRAM ACREAGE.—Except as otherwise provided in subsection (c), the individual farm program acreage shall be the acreage planted on the farm to feed grains for harvest within the permitted feed grain acreage for the farm as established under this paragraph.

(F) PLANTING OILSEEDS OR OTHER CROPS ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm.

(ii) LIMITATIONS.—If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph—

(I) the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on the farm are participating in a program established for more than one program crop is planted on the farm, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops; and

(II) the Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that this subparagraph will result in no additional cost to the Commodity Credit Corporation.

(G) PLANTING EXPERIMENTAL OR INDUSTRIAL NONPROGRAM CROPS, OR HARVESTING CONSERVING CROPS, ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may elect to—

(I) devote reduced acreage to an experimental or industrial nonprogram crop; or

(II) harvest a conserving crop on reduced acreage, determined and announced by the Secretary (hereinafter in this subparagraph referred to as an "approved crop").

(ii) LIMITATIONS.—If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency

payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

(3) TARGETED OPTION PAYMENTS.—

(A) IN GENERAL.—Notwithstanding any other provision of this section, if the Secretary implements an acreage limitation program with respect to any of the 1991 through 1995 crops of feed grains, the Secretary shall make available to producers on a farm who do not receive payments under subsection (c)(1)(E) for such crop on the farm, adjustments in the level of deficiency payments that would otherwise be made available to the producers if the producers exercise the payment options provided in this paragraph.

(B) PAYMENT OPTIONS.—The Secretary shall make the payment options specified in subparagraphs (C) and (D) available to producers who agree to make adjustments in the quantity of acreage diverted from the production of feed grains under an acreage limitation program in accordance with this paragraph.

(C) INCREASED ACREAGE LIMITATION OPTION.—

(i) INCREASE IN ESTABLISHED PRICE.—A producer shall be eligible to receive an increase in the established price for corn under clause (ii) if the producer agrees to an increase in the acreage limitation percentage to be applied to the producers' corn acreage base above the acreage limitation percentage announced by the Secretary.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who participate in the program under this paragraph, the Secretary shall increase the established price for corn by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1.0 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' corn acreage base.

(iii) LIMITATION.—The acreage limitation percentage to be applied to the producers' corn acreage base shall not be increased by more than 5 percentage points for the 1991 crop and 10 percentage points for each of the 1992 through 1995 crops above the acreage limitation percentage announced by the Secretary for the crop or above 20 percent total for the crop.

(D) DECREASED ACREAGE LIMITATION OPTION.—

(i) DECREASE IN ACREAGE LIMITATION REQUIREMENT.—A producer shall be eligible to decrease the acreage limitation percentage applicable to the producers' corn acreage base (as announced by the Secretary) if the producer agrees to a decrease in the established price for wheat under clause (ii) for the purpose of cal-

culating deficiency payments to be made available to the producer.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who choose the option set forth in this subparagraph, the Secretary shall decrease the established price for corn by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' corn acreage base.

(iii) LIMITATION.—A producer may not choose to decrease the acreage limitation percentage applicable to the producers' corn acreage base under this paragraph by more thn one-half of the announced acreage limitation percentage.

(E) OTHER FEED GRAINS.—The Secretary shall implement the program provided for by this paragraph for other feed grains similar to the manner in which the program is implemented for corn.

(F) PARTICIPATION AND PRODUCTION EFFECTS.—Notwithstanding any other provision of this paragraph, the Secretary shall, to the extent practicable, ensure that the program provided for in this paragraph does not have a significant effect on program participation or total production.

(4) ADMINISTRATION.—

(A) PROTECTION FROM WEEDS AND EROSION.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall assure protection of the acreage from weeds and wind and water erosion.

(B) ANNUAL OR PERENNIAL COVER.—

(i) IN GENERAL.—Except as provided in paragraph (2), a producer who participates in an acreage reduction program established for a crop of feed grains under this subsection shall be required to plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the acreage that is required to be removed from the production of feed grains, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop.

(ii) PERENNIAL COVER.—

(I) COST-SHARE ASSISTANCE.—If a producer elects to establish a perennial cover on the acreage, the Commodity Credit Corporation shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on not more than 50 percent of the acreage that is required to be diverted from production, but not to exceed 5 percent of the crop acreage base established for a crop.

(II) AGREEMENT OF PRODUCER.—If a producer elects to establish a perennial cover on the acreage under this subparagraph and receives cost-share

assistance from the Corporation with respect to the cover, the producer, under such terms and conditions as may be prescribed by the Secretary, shall agree to maintain the perennial cover for a minimum of 3 years.

(iii) CONSERVING CROPS.—Notwithstanding any other provision of this subparagraph, the Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(C) HAYING AND GRAZING.—

(i) IN GENERAL.—Except as provided in clause (ii), haying and grazing of reduced acreage, acreage devoted to a conservation use under subsection (c)(1)(E)), and acreage diverted from production under a land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. The 5-month period shall be established during the period beginning April 1, and ending October 31, of a year. The State committee shall announce the establishment of the 5-month period no later than January 1 of each year.

(ii) NATURAL DIASTERS.—In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on the acreage.

(D) ADDITIONAL PRACTICES.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent to its conversion to water storage uses.

(5) LAND DIVERSION PAYMENTS.—

(A) IN GENERAL.—The Secretary may make land diversion payments to producers of feed grains, whether or not an acreage limitation program for feed grains is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. The land diversion payments shall be made to producers who, to the extent pre-

scribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with the producers.

(B) AMOUNTS.—The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) ADVERSE EFFECTS ON COUNTY OR LOCAL COMMUNITY.—The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6) CONSERVATION PRACTICES.—

(A) WILDLIFE FOOD PLOTS OR HABITAT.—Any acreage required to be devoted to conservation uses and any additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph.

(B) SOIL AND WATER CONSERVATION PRACTICES.—The Secretary may also pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by the producer on acreage required to be devoted to conservation uses or on additional diverted acreage.

(C) PUBLIC ACCESSIBILITY.—The Secretary may provide for an additional payment on the acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7) PARTICIPATION AGREEMENTS.—

(A) EXECUTION.—Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe.

(B) TERMINATION OR MODIFICATION.—The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement, if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph

for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of feed grains.

(f) INVENTORY REDUCTION PAYMENTS.—

(1) In General.—The Secretary may, for each of the 1991 through 1995 crops of feed grains, make payments available to producers who meet the requirements of this subsection.

(2) FORM.—The payments may be made in the form of negotiable marketing certificates.

(3) PAYMENTS.—Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(4) ELIGIBILITY.—A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan under subsection (a);

(B) agrees to forgo receiving payments under subsection (b) and (c);

(C) does not plant feed grains for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (e); and

(D) otherwise complies with this section.

(g) PILOT VOLUNTARY PRODUCTION LIMITATION PROGRAM.—

(1) IN GENERAL.—If a feed grain acreage limitation program or a land diversion program is announced under subsection (d) for the 1991 or 1992 crop of feed grains and the 1993 through 1995 crops if so determined by the Secretary, the Secretary shall carry out a pilot program in at least 15 counties in at least 4 States where producers express an interest in participating in the pilot program under which the producers on a farm shall be considered to have met the requirements of the acreage limitation of land diversion program if the producers meet there requirements of the voluntary production limitation program established under this subsection.

(2) LIMITATION ON MARKETING.—In order to comply with the voluntary production limitation program, the producers on a farm must agree not to market, barter, donate, or use on the farm (including use as feed for livestock) in a marketing year a quantity of feed grains in excess of the feed grain production limitation quantity for the farm for the marketing year.

(3) PRODUCTION LIMITATION QUANTITY.—For purposes of this subsection, the production limitation quantity for a farm for a marketing year for a crop shall equal the product obtained by multiplying—

(A) the acreage permitted to be planted to feed grains under the acreage reduction program or land diversion program in effect for the crop for the farm; by

(B) the higher of—

(i) the farm program payment yield for the farm; or

(ii) the average of the yield per harvested acre for feed grains for the farm for each of the 5 crop years immediately preceding the crop year during which the producers first participate in the program established

under this subsection, excluding the crop years with the highest and lowest yield per harvested acre and any crop year in which the commodity was not planted on the farm.

(4) TERMS AND CONDITIONS.—Producers on a farm who elect to participate in the program established under this subsection for a crop of feed grains shall—

(A) enter into an agreement with the Secretary providing that the producers shall comply with the program for the crop;

(B) not plant program commodities for harvest in a quantity in excess of the normal crop acreage; and

(C) be considered to have complied with the terms and conditions of the feed grain acreage reduction program or land diversion program for the crop, even though the acreage planted to feed grains on the farm exceeds the permitted acreage provided under the acreage reduction or land diversion program.

(5) EXCESS PRODUCTION.—

(A) IN GENERAL.—Any quantity of feed grains produced in a crop year on a farm in excess of the production limitation quantity for the farm may be stored by the producers for a period of not to exceed 5 marketing years and may be used only in accordance with this paragraph.

(B) MARKETING IN SUBSEQUENT YEAR.—

(i) PARTICIPANTS IN PROGRAM.—Producers on a farm who are participaing in the program established under this subsection may market, barter, or use a quantity of the excess feed grains referred to in subparagaph (A) equal to the difference between the production limitation quantity for the farm for the crop year in which the excess feed grains are produced on the farm during the crop year.

(ii) PARTICIPANTS IN ACREAGE REDUCTION PROGRAM.—Producers on a farm who are participating in an acreage reduction or a land diversion program for a crop of feed grains may market, barter, or use a quantity of the excess feed grains referred to in subparagraph (A) in an amount that reflects the quantity of feed grains that would be expected to be produced on acreage that the producers agree to devote to approved conservation uses (in excess of any acreage reduction or land diversion requirements) during a crop year, as determined by the Secretary.

(6) DUTIES OF SECRETARY.—In carrying out the pilot program established under this subsection, the Secretary—

(A) shall issue such regulations as are necessary to carry out the program;

(B) may require increased acreage reduction or land diversion requirements with respect to producers who have had excess feed grain production in order to allow the producers to market, barter, or use the production in subsequent years;

(C) shall take appropriate measures designed to prevent the circumvention of the program established under this subsection, including the imposition of penalties;

(D) may require producers who participate in the program for a crop, but who fail to comply with the terms and conditions of the program, to refund, all or part of any deficiency payments received with respect to the crop;

(E) may require the forfeiture to the Commodity Credit Corporation of any feed grains that is produced in excess of the production limitation and that is not marketed, bartered, or used within 5 marketing years; and

(F) shall ensure equitable treatment for producers who participate in the program if the Secretary allows increases (based on actual production levels) in the determination of farm program payment yields for feed grains for the farm.

(7) REPORT.—

(A) IN GENERAL.—The Comptroller General of the United States shall prepare a report that evaluates the pilot program carried out under this subsection.

(B) SUBMISSION.—The Comptroller General shall submit a copy of the report required by subparagraph (A) to the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Secretary.

(h) DEFAULTS; WAIVER OF DEADLINES.—

(1) DEFAULTS.—If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make the loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) WAIVER OF DEADLINES.—The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet the other requirements does not affect adversely the operation of the program.

(i) REGULATIONS.—The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(j) COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(k) ASSIGNMENT OF PAYMENTS.—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(l) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(m) TENANTS AND SHARECROPPERS.—The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(n) CROSS-COMPLIANCE.—

(1) IN GENERAL.—Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments under this section.

(2) COMPLIANCE ON OTHER FARMS.—The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments under this section for the farm, to comply with the terms and conditions of the feed grains program with respect to any other farm operated by the producers.

(o) PUBLIC COMMENT ON FEED GRAINS PROGRAM.—

(1) IN GENERAL.—In order to ensure that producers and consumers of feed grains are provided with reasonable opportunity to comment on the annual program determinations concerning the price support and acreage reduction program for each of the 1991 and subsequent crops of feed grains, the Secretary shall request public comment regarding the feed grains program in accordance with this subsection.

(2) OPTIONS.—Not less than 60 days before the program is announced for a crop of feed grains under this section, the Secretary shall propose for public comment various program options for the crop of feed grains.

(3) ANALYSES.—Each option proposed by the Secretary shall be accompanied by an analysis that includes the estimated planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that would likely result from each option.

(4) ESTIMATES.—In announcing the program for a crop of feed grains under this section, the Secretary shall include an estimate of the planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that is expected to result from the program as announced.

(p) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of feed grains.

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[LOAN RATES AND TARGET PRICES FOR 1977 THROUGH 1981 WHEAT CROPS]

[SEC. 107A.]

[LOAN RATES AND TARGET PRICES FOR 1982 THROUGH 1985 WHEAT CROPS]

[SEC. 107B.]

SEC. 107A. LOANS, PAYMENTS, AND ACREAGE REDUCTION PROGRAMS FOR THE 1991 THROUGH 1995 CROPS OF WHEAT.

(a) LOAN AND PURCHASES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the Secretary shall make available to producers on a farm loans and purchases for each of the 1991 through 1995 crops of

wheat produced on the farm at such level as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.

(2) MINIMUM LEVELS.—The Secretary shall determine the loan and purchase level for a crop of wheat under paragraph (1) in accordance with subparagraph (A) or (B), as follows:

(A) BASIC LEVEL.—If the Secretary elects to establish the loan and purchase level for wheat under this subparagraph, the loan and purchase level shall not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of wheat, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period, except that the loan and purchase level for a crop determined under this subparagraph may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $2.44 per bushel.

(B) ADJUSTED LEVEL.—If the Secretary elects to establish the loan and purchase level for wheat under this subparagraph, the level shall be established as follows:

(i) IN GENERAL.—Except as provided in clause (ii), the loan and purchase level shall not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of wheat, excluding the year in which the average price was the highest and the year in which the average price was the lowest in the period, except that the loan and purchase level for a crop determined under this subparagraph may not be reduced by more than 5 percent from the level determined for the preceding crop nor below $2.44 per bushel.

(ii) ADJUSTMENTS TO SUPPORT LEVEL.—If the Secretary determines that the average price received by producers for wheat in the previous marketing year was not more than 110 percent of the loan and purchase level for wheat for the marketing year or determines that the action is necessary to maintain a competitive market position for wheat, the Secretary may reduce the loan and purchase level for wheat for the corresponding crop by an amount the Secretary determines necessary to maintain domestic and export markets for wheat, but not more than 20 percent in any year.

(iii) NO EFFECT ON FUTURE YEARS.—Any reduction in the loan and purchase level for wheat under clause (ii) shall not be considered in determining the loan and purchase level for wheat for subsequent years.

(iv) REPORT TO CONGRESS.—If the Secretary elects to establish the loan and purchase level for wheat under

this subparagraph, the Secretary shall, within 30 days of the election, submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report—

(I) outlining the budget implications of the election;

(II) describing the anticipated effect on farm income of the election;

(III) describing why an adjustment under clause (ii) is necessary to prevent the build-up of stocks and to maintain price competitiveness; and

(IV) describing the anticipated effect on the orderly marketing of the crop of wheat of the election.

(v) ADVANCE COMPENSATION.—

(I) IN GENERAL.—If the loan and purchase level for a crop of wheat is reduced under clause (ii), the Secretary shall make advance compensation available to producers of the crop in accordance with this clause.

(II) AMOUNT.—The amount of the advance compensation available for a crop under this clause shall not be less than an amount determined by multiplying—

(aa) the estimated individual farm program acreage for the crop; by

(bb) the farm program payment yield for the crop; by

(cc) an amount determined by multiplying 0.75 by the amount of the reduction in the loan level for the crop under clause (ii).

(III) REPAYMENT OF ADVANCE COMPENSATION.—A producer who receives advance compensation for a crop under this clause shall repay the advance compensation to the Secretary not later than 270 days after the beginning of the marketing year for the crop.

(3) REPAYMENT OF LOAN.—

(A) IN GENERAL.—The Secretary shall permit a producer to repay a loan made under this subsection for a crop at a level (except as provided in subparagraph (C)) that is the lesser of—

(i) the loan level determined for the crop; or

(ii) the prevailing world market price for the crop, as determined by the Secretary.

(B) PREVAILING WORLD MARKET PRICE.—The Secretary shall prescribe by regulation—

(i) a formula to determine the prevailing world market price for wheat, adjusted to United States quality and location; and

(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for the crop.

(C) ALTERNATIVE REPAYMENT RATES.—For each of the 1991 through 1995 crops of wheat, if the world market price for wheat (adjusted to United States quality and location) as determined by the Secretary, is less than the loan level determined for the crop, the Secretary may permit a producer to repay a loan made under this subsection for a crop at such level (not in excess of the loan level determined for the crop) as the Secretary determines will—

(i) minimize potential loan forfeitures;

(ii) minimize the accumulation of wheat stocks by the Federal Government;

(iii) minimize the cost incurred by the Federal Government in storing wheat; and

(iv) allow wheat produced in the United States to be marketed freely and competitively, both domestically and internationally.

(4) SIMPLE AVERAGE PRICE.—For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

(b) LOAN DEFICIENCY PAYMENTS.—

(1) IN GENERAL.—The Secretary may, for each of the 1991 through 1995 crops of wheat, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining the loan or agreement in return for payments under this subsection.

(2) COMPUTATION.—A payment under this subsection shall be computed by multiplying—

(A) the loan payment rate; by

(B) the quantity of wheat the procducer is eligible to place under loan (or obtain a purchase agreement) but forgoes obtaining the loan or agreement in return for payments under this subsection.

(3) LOAN PAYMENT RATE.—For purposes of this subsection the loan payment rate shall be the amount by which—

(A) the loan level determined for the crop under subsection (a); exceeds

(B) the level at which a loan may be repaid under subsection (a).

(c) PAYMENTS.—

(1) DEFICIENCY PAYMENTS.—

(A) IN GENERAL.—The Secretary shall make available to producers payments (also referred to in this section as "deficiency payments") for each of the 1991 through 1995 crops of wheat in an amount computed by multiplying—

(i) the payment rate; by

(ii) the individual farm program acreage for the crop; by

(iii) the farm program payment yield for the crop for the farm.

(B) PAYMENT RATE.—The payment rate for wheat shall be the amount by which the established price for the crop of wheat exceeds the higher of—

(i) the national weighted average market price received by producers during the first 5 months of the marketing year for the crop, as determined by the Secretary; or

(ii) the loan level determined for the crop.

(C) ESTABLISHED PRICE.—The established price for wheat shall not be less than $4.00 per bushel for each of the 1991 through 1995 crops of wheat.

(D) EMERGENCY COMPENSATION.—

(i) SAME TOTAL RETURN TO PRODUCERS.—Notwithstanding the foregoing provisions of this section, if the Secretary adjusts the level of loans and purchases for wheat under subsection (a)(2)(B)(ii), the Secretary shall provide emergency compensation by increasing the deficiency payments for wheat by such amount as the Secretary determines, necessary to provide the same total return to producers as if the adjustment in the level of loans and purchases had not been made, taking into consideration any deficiency payments made under this subsection.

(ii) CALCULATION.—In determining the payment rate, per bushel, for emergency compensation payments for a crop of wheat under this subparagraph, the Secretary shall use the national weighted average market price, per bushel of wheat, received by producers during the first 5 months of the marketing year for each of the 1991 through 1995 crops.

(E) DEVOTING ACREAGE TO CONSERVATION USES.—

(i) ACREAGE CONSIDERED PLANTED.—If an acreage limitation program under subsection (e)(2) is in effect for a crop of wheat and the producers on a farm devote a portion of the permitted wheat acreage of the farm (as determined in accordance with subsection (e)(2(A)) equal to more than 8 percent of the permitted wheat acreage of the farm for the crop or all of such permitted acreage, to conservation uses (except as provided in subparagraph (F))—

(I) the portion (or all) of the permitted wheat acreage of the farm in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (F)) shall be considered to be planted to wheat for the purpose of determining the individual farm program acreage in accordance with subsection (e) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (e)(2)(C); and

(II) the producers shall be eligible for payments under this paragraph on such acreage.

(ii) PAYMENTS.—Notwithstanding any other provision of this section, any producer who elects to devote all or a portion of the permitted wheat acreage of the farm to conservation uses (or other uses as provided in subparagraph (F)) under this subparagraph shall receive defi-

ciency payments on the acreage that is considered to be planted and eligible for payments under this subparagraph for the crop at a per bushel rate established by the Secretary, except that the rate may not be established at less than the projected deficiency payment rate for the crop, as determined by the Secretary. The projected payment rate for the crop shall be announced by the Secretary prior to the period during which wheat producers may agree to participate in the program for the crop.

(iii) ADVERSE EFFECT ON AGRIBUSINESS AND OTHER INTERESTS.—The Secretary shall implement this subparagraph in such a manner as to minimize the adverse effect or agribusiness and other agriculturally related economic interests within any county, State, or region. In carrying out this subparagraph, the Secretary is authorized to restrict the total quantity of acreage that may be taken out of production under this subparagraph, taking into consideration the total quality of acreage that has or will be removed from production under other price support, production adjustment, or conservation program activities. No restrictions on the quantity of acreage that may be taken out of production in accordance with this subparagraph in a crop year shall be imposed in the case of a county in which producers were eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of a disaster that occurred during the crop year.

(iv) CROP ACREAGE AND PAYMENT YIELD.—The wheat crop acreage base and wheat farm program payment yield of the farm shall not be reduced due to the fact that a portion (or all) of the permitted wheat acreage of the farm was devoted to conserving uses (except as provided in subparagraph (F)) under this subparagraph.

(v) LIMITATION.—Other than as provided in clauses (i) through (iv), payments may not be made under this paragraph for any crop of wheat on a greater acreage than the acreage actually planted to wheat.

(vi) CONSERVATION USE ACREAGE UNDER OTHER PROGRAMS.—Any acreage considered to be planted to wheat in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation or land diversion program requiring that the producers devote a specified acreage to conservation uses.

(F) PLANTING OTHER CROPS ON CONSERVATION USE ACREAGE.—

(i) INDUSTRIAL AND OTHER CROPS.—The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (E) to be devoted to sweet sorghum, guar, sesame,

castor beans, safflower, sunflower, mustard seed, crambe, plantago, ovato, flaxseed, triticale, rye, mung beans, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf and milkweed), subject to the following sentence. The Secretary may permit the acreage to be devoted to the production only if the Secretary determines that—

(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of the raw material.

(ii) OILSEEDS.—The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (E) to be devoted to sunflowers, rapeseed, canola, safflower, flaxseed, and other minor oilseeds designated by the Secretary (excluding soybeans). In implementing this clause, the Secretary shall provide that, in order to receive payments under subparagraph (E), the producers shall agree to forgo eligibility to receive a loan under section 205 for the crop of any such oilseeds produced on the farm.

(G) REDUCTION FOR DISASTER PAYMENTS.—The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which any disaster payment is made to the producer for the crop under paragraph (2).

(2) DISASTER PAYMENTS.—

(A) PREVENTED PLANNING.—Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for wheat to wheat or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(i) the number of acres so affected but not to exceed the acreage planted to wheat for harvest (including any acreage that the producers were prevented from planting to wheat or other nonconserving crops in lieu of wheat because of drought, flood, or other natural disas-

ter, or other conditions beyond the control of the producers) in the immediately preceding year; by

(ii) 75 percent of the farm program payment yield established by the Secretary; by

(iii) a payment rate equal to 33⅓ percent of the average of the established prices for the crop.

(B) REDUCED YIELDS.—Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of wheat the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for the crop by the acreage planted for harvest for the crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

(C) CROP INSURANCE.—Producers on a farm shall not be eligible for—

(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the wheat acreage of the producers; or

(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the wheat acreage of the producers.

(D) ADMINISTRATION.—

(i) ECONOMIC EMERGENCIES.—Notwithstanding subparagraph (C), the Secretary may make a disaster payment to the producers on a farm under this paragraph if the Secretary determines that—

(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers have suffered substantial losses of production either from being prevented from planting wheat or other nonconserving crops or from reduced yields;

(II) the losses have created an economic emergency for the producers;

(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to the producers for the losses are insufficient to alleviate the economic emergency; and

(IV) additional assistance must be made available to the producers to alleviate the economic emergency.

(ii) ADJUSTMENTS.—The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an indi-

vidual farm so as to ensure the equitable allotment of the payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(d) PAYMENT YIELDS.—The farm program payment yields for farms for each crop of wheat shall be determined under title V.

(e) ACREAGE REDUCTION PROGRAMS.—

(1) IN GENERAL.—

(A) ESTABLISHMENT.—Notwithstanding any other provision of this Act, except as provided in subparagraph (E), if the Secretary determines that the total supply of wheat, in the absence of an acreage limitation program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of wheat an acreage limitation program as described in paragraph (2).

(B) CONSERVATION STEWARDSHIP PROGRAM.—In making a determination under subparagraph (A), the Secretary shall take into consideration the number of acres placed in the conservation stewardship program established under title XII of the Food Security Act of 1985.

(C) ANNOUNCEMENTS.—If the Secretary elects to implement an acreage limitation program for any crop year, the Secretary shall announce the program not later than June 1 prior to the calendar year in which the crop is harvested, except that in the case of the 1991 crop, the Secretary shall announce the program as soon as practicable after the date of enactment of this section.

(D) ADJUSTMENTS.—Not later than July 31 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the program announced under subparagraph (C) if the Secretary determines that there has been a significant change in the total supply of wheat since the program was first announced.

(E) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—As a condition of eligibility for loans, purchases, and payments for any such crop of wheat, except as provided in subsections (f) and (g) and section 505, the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, a land diversion program.

(F) CARRYOVER STOCKS.—In the case of each of the 1991 through 1995 crops of wheat, if the Secretary estimates for a marketing year for the crop that the ratio of wheat-ending stocks to total disappearance of wheat for the preceding marketing year will be—

(i) more that 40 percent, the Secretary shall provide for an acreage reduction program (as described in paragraph (2)) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm reduced by not less than 12.5 percent nor more than 20 percent; or

(ii) 40 percent or less, the Secretary may provide for such an acreage reduction program under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm reduced by not more than 12.5 percent.

For the purpose of this subparagraph, the term "total disappearance" means all wheat utilization, including total domestic, total export, and total residual disappearance.

(2) ACREAGE LIMITATION PROGRAM.—

(A) PERCENTAGE REDUCTIONS.—Except as provided in paragraph (3), if a wheat acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction (from 0 to 20 percent) to the wheat crop acreage base for the crop for each wheat-producing farm.

(B) INELIGIBILITY FOR LOANS, PURCHASES, AND PAYMENTS.—Except as provided in subsection (g) and section 505, producers who knowingly produce wheat in excess of the permitted wheat acreage for the farm shall be ineligible for wheat loans, purchases, and payments with respect to that farm.

(C) CROP ACREAGE BASES.—Wheat crop acreage bases for each crop of wheat shall be determined under title V.

(D) ACREAGE DEVOTED TO CONSERVATION USES.—A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by multiplying the wheat crop acreage base by the percentage reduction required by the Secretary. The number of acres so determined is hereinafter in this subsection referred to as "reduced acreage". The remaining acreage is hereinafter in this subsection referred to as "permitted acreage".

(E) INDIVIDUAL FARM PROGRAM ACREAGE.—Except as otherwise provided in subsection (c), the individual farm program acreage shall be the acreage planted on the farm to wheat for harvest within the permitted wheat acreage for the farm as established under this paragraph.

(F) PLANTING OILSEEDS OR OTHER CROPS ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may plant an oilseed, or other such crop considered appropriate by the Secretary, on no more than one-half of the reduced acreage on the farm.

(ii) LIMITATIONS.—If the producers on a farm elect to plant oilseeds or other crops on reduced acreage under this subparagraph—

(I) the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted to the oilseeds or other crops, by an amount equal to the deficiency payment that would be made with respect to a number of acres of the crop that the Secretary considers appropriate, except that if the producers on

the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops; and

(II) the Secretary shall ensure that reductions in acreage used to compute deficiency payments are sufficient to ensure that this subparagraph will result in no additional cost to the Commodity Credit Corporation.

(G) PLANTING EXPERIMENTAL OR INDUSTRIAL NONPROGRAM CROPS, OR HARVESTING CONSERVING CROPS, ON REDUCED ACREAGE.—

(i) IN GENERAL.—Subject to clause (ii), the producers on a farm may elect to—

(I) devote reduced acreage to an experimental or industrial nonprogram crop; or

(II) harvest a conserving crop on reduced acreage. determined and announced by the Secretary (hereinafter in this subparagraph referred to as an "approved crop").

(ii) LIMITATIONS.—If the producers on a farm elect to plant or harvest an approved crop on reduced acreage under this subparagraph, the amount of the deficiency payment that the producers are otherwise eligible to receive under subsection (c) shall be reduced, for each acre (or portion thereof) that is planted for harvest to an approved crop, by an amount equal to the deficiency payment that would be made with respect to one acre (or portion thereof) of the crop, except that if the producers on the farm are participating in a program established for more than one program crop, the amount of the reduction shall be determined by prorating the reduction based on the acreage planted or considered planted on the farm to all of such program crops.

(3) TARGETED OPTION PAYMENTS.—

(A) IN GENERAL.—Notwithstanding any other provision of this section, if the Secretary implements an acreage limitation program with respect to any of the 1991 through 1995 crops of wheat, the Secretary shall make available to producers on a farm who do not receive payments under subsection (c)(1)(E) for such crop on the farm, adjustments in the level of deficiency payments that would othewise be made available to the producers if the producers exercise the payment options provided in this paragraph.

(B) PAYMENT OPTIONS.—The Secretary shall make the payment options specified in subparagraphs (C) and (D) available to producers who agree to make adjustments in the quantity of acreage diverted from the production of wheat under an acreage limitation program in accordance with this paragraph.

(C) INCREASED ACREAGE LIMITATION OPTION.—

(i) INCREASE ESTABLISHED PRICE.—A producer shall be eligible to receive an increase in the established price for wheat under clause (ii) if the producer agrees to an increase in the acreage limitation percentage to be applied to the producers' wheat acreage base above the acreage limitation percentage announced by the Secretary.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who participate in the program under this paragraph, the Secretary shall increase the established price for wheat by an amount determined by the Secretary, but not less than 0.5 percent, nor more than 1.0 percent, for each 1 percentage point increase in the acreage limitation percentage applied to the producers' wheat acreage base.

(iii) LIMITATION.—The acreage limitation percentage to be applied to the producers' wheat acreage base shall not be increased by more than 10 percentage points for the 1991 crop and 15 percentage points for each of the 1992 through 1995 crops above the acreage limitation percentage announced by the Secretary for the crop or above 25 percent total for the crop.

(D) DECREASED ACREAGE LIMITATION OPTION.—

(i) DECREASE IN ACREAGE LIMITATION REQUIREMENT.—A producer shall be eligible to decrease the acreage limitation percentage applicable to the producers' wheat acreage base (as announced by the Secretary) if the producer agrees to a decrease in the established price for wheat under clause (ii) for the purpose of calculating deficiency payments to be made available to the producer.

(ii) METHOD OF CALCULATION.—For the purposes of calculating deficiency payments to be made available to producers who choose the option set forth in this subparagraph, the Secretary shall decrease the established price for wheat by an amount to be determined by the Secretary, but not less than 0.5 percent, nor more than 1 percent, for each 1 percentage point decrease in the acreage limitation percentage applied to the producers' wheat acreage base.

(iii) LIMITATION.—A producer may not choose to decrease the acreage limitation percentage applicable to the producers' wheat acreage base under this paragraph by more than one-half of the announced acreage limitation percentage.

(E) PARTICIPATION AND PRODUCTION EFFECTS.—Notwithstanding any other provision of this paragraph, the Secretary shall, to the extent practicable, ensure that the program provided for in this paragraph does not have a significant effect on program participation or total production.

(4) ADMINISTRATION.—

(A) PROTECTION FROM WEEDS AND EROSION.—The regulations issued by the Secretary under paragraph (2) with re-

spect to acreage required to be devoted to conservation uses shall assure protection of the acreage from weeds and wind and water erosion.

(B) ANNUAL OR PERENNIAL COVER.—

(i) IN GENERAL.—Except as provided in paragraph (2), a producer who participates in an acreage reduction program established for a crop of wheat under this subsection shall be required to plant to an annual or perennial cover 50 percent (or more, at the option of the producer) of the acreage that is required to be removed from the production of wheat, but not to exceed 5 percent (or more, at the option of the producer) of the crop acreage base established for the crop.

(ii) PERENNIAL COVER.—

(I) COST-SHARE ASSISTANCE.—If a producer elects to establish a perennial cover on the acreage, the Commodity Credit Corporation shall make available cost-share assistance for 50 percent of the approved cost of establishing the cover on not more than 50 percent of the acreage that is required to be diverted from production, but not to exceed 5 percent of the crop acreage base established for a crop.

(II) AGREEMENT OF PRODUCER.—If a producer elects to establish a perennial cover on the acreage under this subparagraph and receives cost-share assistance from the Corporation with respect to the cover, the producer, under such terms and conditions as may be prescribed by the Secretary, shall agree to maintain the perennial cover for a minimum of 3 years.

(iii) CONSERVING CROPS.—Notwithstanding any other provision of this subparagraph, the Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the acreage to be devoted to sweet sorghum, guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, mung beans, milkweed, or other commodity, if the Secretary determines that the production is needed to provide an adequate supply of the commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

(C) HAYING AND GRAZING.—

(i) IN GENERAL.—Except as provided in clause (ii), haying and grazing of reduced acreage, acreage devoted to a conservation use under subsection (c)(1)(E), and acreage diverted from production under a land diversion program established under this section shall be permitted, except during any consecutive 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. The 5-month period shall be established during the

period beginning April 1, and ending October 31, of a year. The State committee shall announce the establishment of the 5-month period no later than January 1 of each year.

(ii) NATURAL DISASTERS.—In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on the acreage.

(D) SUMMER FALLOW PRACTICES.—In determing the quantity of land to be devoted to conservation uses under an acreage limitation program with respect to land that has been farmed under summer fallow practices, as defined by the Secretary, the Secretary shall consider the effects of soil erosion and such other factors as the Secretary considers appropriate.

(E) ADDITIONAL PRACTICES.—The regulations issued by the Secretary under paragraph (2) with respect to acreage required to be devoted to conservation uses shall provide that land that has been converted to water storage uses shall be considered to be devoted to conservation uses if the land was devoted to wheat, feed grains, cotton, rice, or oilseeds in at least 3 of the immediately preceding 5 years. The land shall be considered to be devoted to conservation uses for the period that the land remains in water storage uses, but not to exceed 5 years subsequent to its conversion to water storage uses.

(5) LAND DIVERSION PAYMENTS.—

(A) IN GENERAL.—The Secretary may make land diversion payments to producers of wheat, whether or not an acreage limitation program for wheat is in effect, if the Secretary determines that the land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. The land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with the producers.

(B) AMOUNTS.—The amounts payable to producers under land diversion contracts may be determined through the submission of bids for the contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

(C) ADVERSE EFFECTS ON COUNTY OR LOCAL COMMUNITY.—The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

(6) CONSERVATION PRACTICES.—

(A) WILDLIFE FOOD PLOTS OR HABITAT.—Any acreage required to be devoted to conservation uses and any addition-

al diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of this subparagraph.

(B) SOIL AND WATER CONSERVATION PRACTICES.—The Secretary may also pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by the producer on acreage required to be devoted to conservation uses or on additional diverted acreage.

(C) PUBLIC ACCESSIBILITY.—The Secretary may provide for an additional payment on the acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(7) PARTICIPATION AGREEMENTS.—

(A) Execution.—Producers on a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for the participation not later than such date as the Secretary may prescribe.

(B) TERMINATION OR MODIFICATION.—The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement, if the Secretary determines the action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities. The Secretary may modify the agreement under this subparagraph for the purpose of alleviating a shortage in the supply of agricultural commodities only if there has been a significant change in the estimated stocks of the commodity since the Secretary announced the final terms and conditions of the program for the crop of wheat.

(f) INVENTORY REDUCTION PAYMENTS.—

(1) IN GENERAL.—The Secretary may, for each of the 1991 through 1995 crops of wheat, make payments available to producers who meet the requirements of this subsection.

(2) FORM.—The payments may be made in the form of negotiable marketing certificates.

(3) PAYMENTS.—Payments under this subsection shall be determined in the same manner as provided in subsection (b).

(4) ELIGIBILITY.—A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

(A) agrees to forgo obtaining a loan under subsection (a);

(B) agrees to forgo receiving payments under subsections (b) and (c);

(C) does not plant wheat for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (e); and

(D) otherwise complies with this section.

(g) PILOT VOLUNTARY PRODUCTION LIMITATION PROGRAM.—

(1) IN GENERAL.—If a wheat acreage limitation program or a land diversion program is announced under subsection (d) for the 1991 or 1992 crop of wheat, (and the 1993 crops if the Secretary so determines) the Secretary shall carry out a pilot program in at least 15 counties in at least 4 States where producers express an interest in participating in the pilot program under which the producers on a farm shall be considered to have met the requirements of such acreage limitation or land diversion program if the producers meet the requirements of the voluntary production limitation program established under this subsection.

(2) LIMITATION ON MARKETING.—In order to comply with the voluntary production limitation program, the producers on a farm must agree not to market, barter, donate, or use on the farm (including use as feed for livestock) in a marketing year a quantity of wheat in excess of the wheat production limitation quantity for the farm for the marketing year.

(3) PRODUCTION LIMITATION QUANTITY.—For purposes of this subsection, the production limitation quantity for a farm for a marketing year for a crop shall equal the product obtained by multiplying—

(A) the acreage permitted to be planted to wheat under the acreage reduction program or land diversion program in effect for the crop for the farm; by

(B) the higher of—

(i) the farm program payment yield for the farm; or

(ii) the average of the yield per harvested acre for wheat for the farm for each of the 5 crop years immediately preceding the crop year during which the producers first participate in the program established under this subsection, excluding the crop years with the highest and lowest yield per harvested acre and any crop year in which the commodity was not planted on the farm.

(4) TERMS AND CONDITIONS.—Producers on a farm who elect to participate in the program established under this subsection for a crop of wheat shall—

(A) enter into an agreement with the Secretary providing that the producers shall comply with the program for the crop;

(B) not plant program commodities for harvest in a quantity in excess of the normal crop acreage; and

(C) be considered to have complied with the terms and conditions of the wheat acreage reduction program or land diversion program for the crop, even though the acreage planted to wheat on the farm exceeds the permitted acreage provided under the acreage reduction or land diversion program.

(5) EXCESS PRODUCTION.—

(A) IN GENERAL.—Any quantity of wheat produced in a crop year on a farm in excess of the production limitation quantity for the farm may be stored by the producers for a

period of not to exceed 5 marketing years and may be used only in accordance with this paragraph.

(B) MARKETING IN SUBSEQUENT YEAR.—

(i) PARTICIPANTS IN PROGRAM.—Producers on a farm who are participating in the program established under this subsection may market, barter, or use a quantity of the excess wheat referred to in subparagraph (A) equal to the difference between the production limitation quantity for the farm for the crop year subsequent to the crop year in which the excess wheat is produced less the quantity of wheat produced on the farm during the crop year.

(ii) PARTICIPANTS IN ACREAGE REDUCTION PROGRAM.—Producers on a farm who are participating in an acreage reduction or a land diversion program for a crop of wheat may market, barter, or use a quantity of the excess wheat referred to in subparagraph (A) in an amount that reflects the quantity of wheat that would be expected to be produced on acreage that the producers agree to devote to approved conservation uses (in excess of any acreage reduction or land diversion requirements) during a crop year, as determined by the Secretary.

(6) DUTIES OF SECRETARY.—In carrying out the pilot program established under this subsection, the Secretary—

(A) shall issue such regulations as are necessary to carry out the program;

(B) may require increased acreage reduction or land diversion requirements with respect to producers who have had excess wheat production in order to allow the producers to market, barter, or use the production in subsequent years;

(C) shall take appropriate measures designed to prevent the circumvention of the program established under this subsection, including the imposition of penalties;

(D) may require producers who participate in the program for a crop, but who fail to comply with the terms and conditions of the program, to refund all or a part of any deficiency payments received with respect to the crop;

(E) may require the forfeiture to the Commodity Credit Corporation of any wheat that is produced in excess of the production limitation quantity and that is not marketed, bartered, or used within 5 marketing years; and

(F) shall ensure equitable treatment for producers who participate in the pilot program if the Secretary allows increases (based on actual production levels) in the determination of farm program payment yeilds for wheat for the farm.

(7) REPORT.—

(A) IN GENERAL.—The Comptroller General of the United States shall prepare a report that evaluates the pilot program carried out under this subsection.

(B) SUBMISSION.—The Comptroller General shall submit a copy of the report required by subparagraph (A) to the

Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Secretary.

(h) DEFAULTS; WAIVER OF DEADLINES.—

(1) DEFAULTS.—If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make the loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

(2) WAIVER OF DEADLINES.—The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify deadlines and other program requirements in cases in which lateness or failure to meet the other requirements does not affect adversely the operation of the program.

(i) REGULATIONS.—The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(j) COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(k) ASSIGNMENT OF PAYMENTS.—The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

(l) SHARING OF PAYMENTS.—The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

(m) TENANTS AND SHARECROPPERS.—The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

(n) CROSS-COMPLIANCE.—

(1) IN GENERAL.—Compliance on a farm with the terms and conditions of any other commodity program, or compliance with crop acreage base requirements for any other commodity, may not be required as a condition of eligibility for loans, purchases, or payments under this section.

(2) COMPLIANCE ON OTHER FARMS.—The Secretary may not require producers on a farm, as a condition of eligibility for loans, purchases, or payments under this section for the farm, to comply with the terms and conditions of the wheat program with respect to any other farm operated by the producers.

(o) PUBLIC COMMENT ON WHEAT PROGRAM.—

(1) IN GENERAL.—In order to ensure that producers and consumers of wheat are provided with reasonable opportunity to comment on the annual program determinations concerning the price support and acreage reduction program for each of the 1991 and subsequent crops of wheat, the Secretary shall request public comment regarding the wheat program in accordance with this subsection.

(2) OPTIONS.—Not less than 60 days before the program is announced for a crop of wheat under this section, the Secretary

shall propose for public comment various program options for the crop of wheat.

(3) ANALYSES.—Each option proposed by the Secretary shall be accompanied by an analysis that includes the estimated planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that would likely result from each option.

(4) ESTIMATES.—In announcing the program for a crop of wheat under this section, the Secretary shall include an estimate of the planted acreage, production, domestic and export use, ending stocks, season average producer price, program participation rate, and cost to the Federal Government that is expected to result from the program as announced.

(p) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of wheat.

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[ADVANCE PAYMENTS]

SEC. [107C.] *107B* (a)(1) If the Secretary establishes an acreage limitation or set-aside program for any of the [1988 through 1990] *1991 through 1995* crops of wheat, feed grains, upland cotton, or rice under this Act and determines that deficiency payments will likely be made for such commodity for such crop, the Secretary shall make advance deficiency payments available to producers for each of such crops.

(2) Advance deficiency payments under paragraph (1) shall be made to the producer under the following terms and conditions:

(A) Such payments may be made available in the form of—

(i) cash;

(ii) commodities owned by the Commodity Credit Corporation and negotiable certificates redeemable in a commodity owned by the Commodity Credit Corporation, except that not more than 50 percent of such payments may be made in commodities or such certificates in the case of any producer; or

(iii) any combination of clauses (i) and (ii).

(B) If payments are made available to producers as provided for under subparagraph (A)(ii), such producers may elect to receive such payments either in the form of—

(i) such commodities; or

(ii) such certificates.

(C) Such a certificate shall be redeemable for a period not to exceed 3 years from the date such certificate is issued.

(D) The Commodity Credit Corporation shall pay the cost of storing a commodity that may be received under such a certificate until such time as the certificate is redeemed.

(E) Such payments shall be made available as soon as practicable after the producer enters into a contract with the Secretary to participate in such program.

(F) Such payments shall be made available in such amounts as the Secretary determines appropriate to encourage adequate

participation in such program, except that such amount may not exceed an amount determined by multiplying—

(i) the estimated farm program acreage for the crop, by

(ii) the farm program payment yield for the crop, by

(iii) (I) in the case of wheat and feed grains, not less than 40 percent, nor more than 50 percent, of the projected payment rate; and

(II) in the case of rice and upland cotton, not less than 30 percent, nor more than 50 percent, of the projected payment rate,

as determined by the Secretary.

(G) If the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under this Act, is less than the amount paid to the producer as an advance deficiency payment for the crop under this subsection (taking into consideration any reduction in the payment made under section 425), the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned.

(H) If the Secretary determines under this Act that deficiency payments will not be made available to producers on a crop with respect to which advance deficiency payments already have been made under this subsection, the producers who received such advance payments shall refund such payments.

(I) Any refund required under subparagraph (G) or (H) shall be due at the end of the marketing year for the crop with respect to which such payments were made.

(J) If a producer fails to comply with requrements established under the acreage limitations or set-aside program involved after obtaining an advance deficiency payment under this subsection, the producer shall repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe by regulation.

(3) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(4) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(5) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

(b) If the Secretary makes land diversion payments under this Act to assist in adjusting the total national acreage of any of the [1986 through 1990] *1991 through 1995* crops of wheat, feed grains, upland cotton, or rice to desirable levels, the Secretary may make at least 50 percent of such payments available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for such payments.

(c) If the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under this Act, is less than the projected deficiency payment determined by the Secretary for the purposes of calculating the advance deficiency payment made available under subsection (a), the Secretary shall provide a payment to

the producer equal to 20 percent of the difference between the final deficiency payment and the projected deficiency payment.'

[PAYMENTS IN COMMODITIES]

SEC. [107E] *107C.* (a) In making in-kind payments under any of the annual programs for wheat, feed grains, upland cotton, or rice (other than negotiable marketing certificates for upland cotton or rice), the Secretary may—

(1) acquire and use like commodities that have been pledged to the Commodity Credit Corporation as security for price support loans, including loans made to producers under section 110; and

(2) use other like commodities owned by the Commodity Credit Corporation.

(b) The Secretary may make in-kind payments—

(1) by delivery of the commodity to the producer at a warehouse or other similar facility, as determined by the Secretary;

(2) by the transfer of negotiable warehouse receipts;

(3) by the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for a commodity in accordance with regulations prescribed by the Secretary; or

(4) by such other methods as the Secretary determines appropriate to enable the producer to receive payments in an efficient, equitable, and expeditious manner so as to ensure that the producer receives the same total return as if the payments had been made in cash.

(c) The Secretary shall pay interest on the cash redemption of a commodity certificate issued by the Secretary to a producer who holds the certificate for at least 150 days.

[[LOAN RATES AND TARGET PRICES FOR 1986 THROUGH 1990 WHEAT CROPS]

[SEC. 107D. Notwithstanding any other provision of law:

[(a)(1) Except as provided in paragraphs (2) through (4), the Secretary shall make available to producers loans and purchases for each of the 1986 through 1990 crops of wheat at such level as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.

[(2) For any crop of wheat for which marketing quotas are in effect, the loan and pruchase level determined under paragraph (1) shall not be less than the higher of—

[(A) 75 percent of the national average cost of production per bushel of wheat, as determined by the Secretary, taking into consideration variable expenses, general farm overhead, taxes, insurance, interest, and capital replacement costs (but excluding residual returns for management and risk); or

[(B) $3.55 per bushel.

[(3) Except as provided in paragraph (4), for any crop of wheat for which marketing quotas are not in effect, the loan and purchase level determined under paragraph (1) shall—

[(A) in the case of the 1986 crop of wheat, not be less than $3.00 per bushel; and

[(B) in the case of each of the 1987 through 1990 crops of wheat, not be less than 75 percent, nor more than 85 percent, of the simple average price received by producers of wheat, as determined by the Secretary, during the marketing years for the immediately preceding 5 crops of wheat, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the loan and purchase level for a crop determined under this clause may not be reduced by more than—

[(i) in the case of the 1987 crop, 5 percent from the level determined for the preceding crop;

[(ii) in the case of the 1988 crop, 3 percent from the level determined for the preceding crop;

[(iii) in the case of the 1989 crop, 5 percent from the level determined for the preceding crop, plus an additional 2 percent from the level determined for the preceding crop if the Secretary, after taking into account any reduction that is provided for under paragraph (4)(A)(ii), determines that such additional percentage reduction is necessary to maintain a competitive market position for wheat; and

[(iv) in the case of the 1990 crop, 5 percent from the level determined for the preceding crop.

[(4)(A) Except as provided in subparagraph (B), for any crop of wheat for which marketing quotas are not in effect, if the Secretary determines that the average price received by producers for wheat in the previous marketing year was not more than 110 percent of the loan and purchase level for wheat for such marketing year or determines that such action is necessary to maintain a competitive market position for wheat, the Secretary—

[(i) in the case of the 1986 crop of wheat, shall reduce the loan and purchase level for wheat for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain but not less than 10 percent of the loan and purchase level for such crop; and

[(ii) in the case of each of the 1987 through 1990 crops of wheat, may reduce the loan and purchase level for wheat for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for grain.

[(B) The loan and purchase level may not be reduced under subparagraph (A) by more than 20 percent in any year.

[(C) Any reduction in the loan and purchase level for wheat under this paragraph shall not be considered in determining the loan and purchase level for wheat for subsequent years.

[(5)(A) The Secretary may permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

[(i) the loan level determined for such crop; or

[(ii) the higher of—

[(I) 70 percent of such level;

[(II) if the loan level for a crop was reduced under paragraph (4), 70 percent of the loan level that would have been in effect but for the reduction under paragraph (4); or

[(III) the prevailing world market price for wheat, as determined by the Secretary.

[(B) If the Secretary permits a producer to repay a loan in accordance with subparagraph (A), the Secretary shall prescribe by regulation—

[(i) a formula to define the prevailing world market price for wheat; and

[(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for wheat.

[(6) For purposes of this section, the simple average price received by producers for the immediately preceding marketing year shall be based on the latest information available to the Secretary at the time of the determination.

[(b)(1) The Secretary may, for each of the 1986 through 1990 crops of wheat, make payments available to producers who, although eligible to obtain a loan or purchase agreement under subsection (a), agree to forgo obtaining such loan or agreement in return for such payments.

[(2) A payment under this subsection shall be computed by multiplying—

[(A) the loan payment rate; by

[(B) the quantity of wheat the producer is eligible to place under loan.

[(3) For purposes of this subsection, the quantity of wheat eligible to be placed under loan may not exceed the product obtained by multiplying—

[(A) the individual farm program acreage for the crop; by

[(B) the farm program payment yield established for the farm.

[(4) For purposes of this subsection, the loan payment rate shall be the amount by which—

[(A) the loan level determined for such crop under subsection (a); exceeds

[(B) the levels at which a loan may be repaid under subsection (a).

[(c)(1)(A) The Secretary shall make available to producers payments for each of the 1986 through 1990 crops of wheat in an amount computed by multiplying—

[(i) the payment rate; by

[(ii) the individual farm program acreage for the crop; by

[(iii) the farm program payment yield for the crop for the farm.

[(B) Payments for any crop for which marketing quotas are in effect shall not exceed an amount equal to the payment rate multiplied by the farm marketing quota.

[(C)(i) If an acreage limitation program under subsection (f)(2) is in effect for a crop of wheat and the producers on a farm devote a portion of the permitted wheat acreage of the farm (as determined in accordance with subsection (f)(2)(A) equal to more than 8 percent of the permitted wheat acreage of the farm for the crop, or all of such permitted acreage (as provided in subclauses (II), (III), and (IV) of clause (ii), to conservation uses (except as provided in subparagraph (K))—

[(I) such portion (or all) of the permitted wheat acreage of the farm in excess of 8 percent of such acreage devoted to conservation uses (except as provided in subparagraph (K)) shall be considered to be planted to wheat for the purpose of determining the individual farm program acreage in accordance with subsection (f)(2)(E) and for the purpose of determining the acreage on the farm required to be devoted to conservation uses in accordance with subsection (f)(2)(D); and

[(II) the producers shall be eligible for payments under this paragraph on such acreage.

[(ii) Notwithstanding any other provision of this section, any producer who elects to devote all or a portion of the permittted wheat acreage of the farm to conservation uses (or other uses as provided in subparagraph (K)) under this subparagraph shall receive deficiency payments on the acreage that is considered to be planted to wheat and eligible for payments under this subparagraph for such crop at a per-bushel rate established by the Secretary, except that such rate may not be established at less than the projected deficiency payment rate for the crop, as determined by the Secretary. Such projected payment rate for the crop shall be announced by the Secretary prior to the period during which wheat producers may agree to participate in the program for such crop.

[(iii) The Secretary shall implement this subparagraph in such a manner as to minimize the adverse effect on agribusiness and other agriculturally related economic interests within any county, State, or region. In carrying out this subparagraph, the Secretary is authorized to restrict the total amount of wheat acreage that may be taken out of production under this subparagraph, taking into consideration the total amount of wheat acreage that has or will be removed from production under other price support, production adjustment, or conservation program activities. No restrictions on the amount of acreage that may be taken out of production in accordance with this subparagraph in a crop year shall be imposed in the case of a county in which producers wre eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as a result of a disaster that occurred during such crop year.

[(iv) The wheat crop acreage base and wheat farm program payment yield of the farm shall not be reduced due to the fact that such portion (or all) of the permitted acreage of the farm was devoted to conserving uses (except as provided in subparagraph (K)) under this subparagraph.

[(v) Other than as provided in clauses (i) through (iv), payments may not be made under this paragraph for any crop on a greater acreage than the acreage actually planted to wheat.

[(vi) Any acreage considered to be planted to wheat in accordance with clause (i) may not also be designated as conservation use acreage for the purpose of fulfilling any provisions under any acreage limitation, set-aside program, or land diversion program requiring that the producers devote a specified acreage to conservation uses.

[(vii) This subparagraph shall not apply if the established price for wheat is determined pursuant to subparagraph (H)(i).

[(D)(i) Except as provided in clause (ii), the payment rate for wheat shall be the amount by which the established price for the crop of wheat exceeds the higher of—

[(I) the national weighted average market price received by producers during the first 5 months of the marketing year for such crop, as determined by the Secretary; or

[(II) the loan level determined for such crop, prior to any adjustment made under subsection (a)(4) for the marketing year for such crop of wheat.

[(ii) If the national weighted average market price received by producers during the first 5 months of the marketing year for a crop, as determined by the Secretary, exceeds $2.55 per bushed for the 1986 crop, $2.65 per bushel for the 1987 crop, or $2.82 per bushel for the 1988 crop, at the option of the Secretary, the payment rate for such crop of wheat shall be the amount by which the established price for the crop of wheat exceeds the higher of—

[(I) $2.55 per bushel for the 1986 crop, $2.65 per bushel for the 1987 crop, and $2.82 per bushel for the 1988 crop; or

[(II) the loan level determined for such crop, prior to any adjustment made under subsection (a)(4) for the marketing year for such crop of wheat.

[(E)(i) Notwithstanding the foregoing provisions of this section, if the Secretary adjusts the level of loans and purchases for wheat under subsection (a)(4), the Secretary shall provide emergency compensation by increasing the established price payments for wheat by such amount as the Secretary determines necessary to provide the same total return to producers as if the adjustment in the level of loans and purchases had not been made, taking into consideration any payments made as the result of subparagraph (D)(ii).

[(ii) In determining the payment rate, per bushel, for established price payments for a crop of wheat under this subparagraph, the Secretary shall use the national weighted average market price, per bushel of wheat, received by producers during the first 5 months of the marketing year for the 1986 crop and the marketing year for each of the 1987 through 1990 crops, as determined by the Secretary.

[(iii) Notwithstanding any other provision of this Act, in the case of each of the 1987 through 1990 crops of wheat, the Secretary shall—

[(I) by December 1 of each of the marketing years for such crops (or, in the case of the 1987 crop, as soon as practicable after the date of enactment of the Agricultural Reconciliation Act of 1987 [December 22, 1987]), estimate the national weighted average market price, per bushel of wheat, received by producers during such marketing year;

[(II) by December 15 of such marketing year (or, in the case of the 1987 crop, as soon as practicable, but not later than 75 days, after the date of enactment of such Act [December 22, 1987]), use the estimate to make available to producers who have elected the payment option authorized by this clause not less than 75 percent of the increase in established price payments estimated to be payable with respect to such crop under this subparagraph; and

[(III) adjust the amount of each final established price payment for wheat to reflect any difference between the amount of any estimated payment made under this clause and the amount of actual payment due under this subparagaph.

[(iv) Producers shall elect the payment option authorized by clause (iii)—

[(I) in the case of the 1987 crop of wheat, not later than 45 days after the date of the enactment of this clause [December 22, 1987]; and

[(II) in the case of each of the 1988 through 1990 crops of wheat, at the time of entering into a contract to participate in the program established by this section for the crop.

[(F) For any crop of wheat for which marketing quotas are in effect, the established price shall not be less than the higher of—

[(i) the national average cost of production per bushel of wheat, as determined by the Secretary under subsection (a)(2); or

[(ii) $4.65 per bushel.

[(G) For any crop of wheat for which marketing quotas are not in effect, the established price for wheat shall not be less than $4.38 per bushel for each of the 1986 and 1987 crops, $4.23 per bushel for the 1988 crop, $4.10 per bushel for the 1989 crop, and $4.00 per bushel for the 1990 crop.

[(H) For any crop of wheat for which marketing quotas are not in effect, at the option of the Secretary and subject to subparagraph (G), the established price for wheat applicable to producers may be determined on the basis of—

[(i) the percentage by which the producers reduce the acreage planted to wheat on the farm for harvest from the crop acreage base for the farm in accordance with an acreage limitation program described in subsection (f)(2); or

[(ii) a graduated scale of production under which the amount of the payments made to the producers would vary for specified quantities of wheat produced by the producers and such payments would be targeted to commercial family farmers who have annual gross sales in excess of $20,000.

[(I) The total quantity on which payments would otherwise be payable to a producer on a farm for any crop under this paragraph shall be reduced by the quantity on which and disaster payment is made to the producer for the crop under paragraph (2).

[(J) The Secretary may pay not more than 5 percent of the total amount of a payment made under this paragraph in the form of wheat. The use of wheat in making payments to producers shall be subject to a determination by the Secretary of the effect that such in-kind payments will have on market prices for any commodity. The Secretary shall report such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(K) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (C) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flax-

seed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

[(i) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

[(ii) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

[(2)(A)(i) Except as provided in subparagraph (C), if the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for wheat to wheat or other nonconserving crops because of drought, flood, or other natural disaster, or other conditions beyond the control of the producers, the Secretary shall make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

[(I) the number of acres so affected but not to exceed the acreage planted to wheat for harvest (including any acreage that the producers were prevented from planting to wheat or other nonconserving crops in lieu of wheat because of drought, flood, or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

[(II) 75 percent of the farm program payment yield established by the Secretary; by

[(III) a payment rate equal to 33⅓ percent of the average of the established prices for the crop.

[(ii) Payments made by the Secretary under this subparagraph may be made in the form of cash or from stocks of wheat held by the Commodity Credit Corporation

[(B) Except as provided in subparagraph (C), if the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of wheat that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary shall make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the established price for the crop for the deficiency in production below 60 percent for the crop.

[(C) Producers on a farm shall not be eligible for—

[(i) prevented planting disaster payments under subparagraph (A), if prevented planting crop insurance is available to the producers under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) with respect to the wheat acreage of the producers; or

[(ii) reduced yield disaster payments under subparagraph (B), if reduced yield crop insurance is available to the producers under such Act with respect to the wheat acreage of the producers.

[(D)(i) Notwithstanding subparagraph (C), the Secretary may make a disaster payment to producers on a farm under this paragraph if the Secretary determines that—

[(I) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting wheat or other nonconserving crops or from reduced yields;

[(II) such losses have created an economic emergency for the producers;

[(III) crop insurance indemnity payments under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

[(IV) additional assistance must be made available to such producers to alleviate such economic emergency.

[(ii) The Secretary may make such adjustments in the amount of payments made available under this subparagraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

[(d) For any crop of wheat for which marketing quotas are not in effect and an acreage limitation program under subsection (f) is not in effect, the Secretary shall proclaim a national program acreage. The proclamation shall be made no later than June 1 of each calendar year for the crop harvested in the next succeeding calendar year, except that in the case of the 1986 crop, the proclamation shall be made as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23, 1985].

[(B) The Secretary may revise the national program acreage first proclaimed for any crop for the purpose of determining the allocation factor under paragraph (2) if the Secretary determines it necessary based on the latest information. The Secretary shall proclaim such revised national program acreage as soon as it is made.

[(C) The national program acreage for wheat shall be the number of harvested acres the Secretary determines (on the basis of the weighted national average of the farm program payment yields for the crop for which the determination is made) will produce the quantity (less imports) that the Secretary estimates will be utilized domestically and for export during the marketing year for such crop.

[(D) If the Secretary determines that carryover stocks of wheat are exessive or an increase in stocks is needed to assure desirable carryover, the Secretary may adjust the national program acreage by the quantity the Secretary determines will accomplish the desired increase or decrease in carryover stocks.

[(2) The Secretary shall determine a program allocation factor for each crop of wheat for which marketing quotas are not in

effect. The allocation factor for wheat shall be determined by dividing the national program acreage for the crop by the number of acres that the Secretary estimates will be harvested for such crop, except that in no event shall the allocation factor for any crop of wheat be more than 100 percent nor less than 80 percent.

[(3)(A)(i) Except as provided in subsection (f)(2), the individual farm program acreage for each crop of wheat for which marketing quotas are not in effect shall be determined by multiplying the allocation factor by the acreage of wheat planted for harvest on the farms for which individual farm program acreages are required to be determined.

[(ii) The individual farm program acreage shall not be further reduced by application of the allocation factor if the producers reduce the acreage of wheat planned for harvest on the farm from the crop acreage base established for the farm under title V by at least the percentage recommended by the Secretary in the proclamation of the national program acreage.

[(iii) The Secretary shall provide fair and equitable treatment for producers on farms on which the acreage of wheat planted for harvest is less than the crop acreage base established for the farm under title V, but for which the reduction is insufficient to exempt the farm from the application of the allocation factor.

[(iv) In establishing the allocation factor for wheat, the Secretary may make such adjustment as the Secretary deems necessary to take into account the extent of exemption of farms under the foregoing provisions of this paragraph.

[(B) For any crop of wheat for which marketing quotas are in effect, the individual farm program acreage shall be the acreage on the farm that the Seceretary determines is sufficient to produce the quantity of wheat equal to the farm marketing quota established for the farm under section 334 of the Agricultural Adjustment Act of 1938.

[(e) The farm program payment yields for farms for each crop of wheat shall be determined under title V.

[(f)(1)(A)(i) Notwithstanding any other provision of this Act, except as provided in subparagraphs (B) and (E), if the Secretary determines that the total supply of wheat, in the absence of an acreage limitation of set-aside program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for any crop of wheat for which marketing quotas are not in effect an acreage limitation program as described in paragraph (2) or a set-aside program as described in paragraph (3).

[(ii) In making a determination under clause (i), the Secretary shall take into consideration the number of acres placed in the conservation acreage reserve established under section 1231 of the Food Security Act of 1985.

[(iii) If the Secretary elects to put either of such programs into effect for any crop year, the Secretary shall announce such program not later than June 1 prior to the calendar year in which the crop is harvested, except that in the case of the 1986 crop, the Secretary shall announce such program as soon as practicable after

the date of enactment of the Food Security Act of 1985 [December 23, 1985].

[(iv) Not later than July 31 of the year previous to the year in which the crop is harvested, the Secretary may make adjustments in the program announced under clause (iii) if the Secretary determines that there has been a significant change in the total supply of wheat since the program was first announced.

[(B) In the case of the 1986 crop of wheat, if the Secretary estimates, as soon as practicable after the date of enactment of the Food Security Act of 1985 [December 23, 1985], that the quantity of wheat on hand in the United States on the first day of the marketing year for that crop (not including any quantity of wheat of that crop) will be—

[(i) more than $1,000,000,000 bushels, the Secretary shall provide for—

[(I) an acreage limitation program (as described in paragraph (2)) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not less than 15 percent nor more than 22½ percent; and

[(II) a land diversion program as described in paragraph (5)(A) with in-kind payments under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by 2½ percent of the wheat crop acreage base, in addition to any reduction required under subclause (I); or

[(ii) 1,000,000,000 bushels or less, the Secretary may provide for—

[(I) an acreage limitation program (as described in paragraph (2)) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not more than 15 percent; and

[(II) a land diversion program as described in paragraph (5)(A).

[(C) In the case of the 1987 crop of wheat, if the Secretary estimates, not later than June 1 of the year previous to the year in which the crop is harvested, that the quantity of wheat on hand in the United States on the first day of the marketing year for that crop (not including any quantity of wheat of that crop) will be—

[(i) more than 1,000,000,000 bushels, the Secretary shall provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not less than 20 percent but not more than 27½ percent; or

[(ii) 1,000,000,000 bushels or less, the Secretary may provide for such an acreage limitation program under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not more than 20 percent.

[(D) In the case of each of the 1988 through 1990 crops of wheat, if the Secretary estimates, not later than June 1 of the year previous to the year in which the crop is harvested, that the quantity of

wheat on hand in the United States on the first day of the marketing year for that crop (not including any quantity of wheat of that crop) will be—

[(i) more than 1,000,000,000 bushels, the Secretary shall provide for an acreage limitation program (as described in paragraph (2)) under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not less than 20 percent nor more than 30 percent; or

[(ii) 1,000,000,000 bushels or less, the Secretary may provide for such an acreage limitation program under which the acreage planted to wheat for harvest on a farm would be limited to the wheat crop acreage base for the farm for the crop reduced by not more than 20 percent.

[(E) As a condition of eligibility for loans, purchases, and payments for any such crop of wheat, except as provided in subsection (g), the producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, the land diversion program as provided in paragraph (1)(B)(i)(II).

[(2)(A)(i) If a wheat acreage limitation program is announced under paragraph (1), such limitation shall be achieved by applying a uniform percentage reduction to the wheat crop acreage base for the crop for each wheat-producing farm.

[(ii) If the Secretary elects to determine the established price for wheat applicable to producers as provided in subsection (c)(1)(H)(i), the limitation on the acreage planted to wheat shall be achieved by applying the percentage reductions selected by producers under subsection (c)(1)(H)(i) to the crop acreage base for each wheat-producing farm.

[(B) Except as provided in subsection (g), producers who knowingly produce wheat in excess of the permitted wheat acreage for the farm shall be ineligible for wheat loans, purchases, and payments with respect to that farm.

[(C) Wheat crop acreage bases for each crop of wheat shall be determined under title V.

[(D)(i) A number of acres on the farm shall be devoted to conservation uses, in accordance with regulations issued by the Secretary. Such number shall be determined by dividing—

[(I) the product obtained by mulitplying the number of acres required to be withdrawn from the production of wheat times the number of acres planted to such commodity; by

[(II) the number of acres authorized to be planted to such commodity under the limitation established by the Secretary.

[(ii) The number of acres so determined is hereafter in this subsection referred to as "reduced acreage".

(E) If an acreage limitation program is announced under paragraph (1) for a crop of wheat, subsection (d) shall not be applicable to such crop, including any prior announcement that may have been made under such subsection with respect to such crop. Except as otherwise provided in subsection (c)(1)(C), the individual farm program acreage shall be the acreage planted on the farm to wheat for harvest within the permitted wheat acreage for the farm as established under this paragraph.

[(3)(A) If a set-aside program is announced under paragraph (1), as a condition of eligibility for loans, purchases, and payments of wheat authorized by this Act (except as provided in subsection (g)), the producers on a farm must—

[(i) set aside and devote to conservation uses an acreage of cropland equal to a specified percentage, as determined by the Secretary, of the acreage of wheat planted for harvest for the crop for which the set-aside is in effect; and

[(ii) otherwise comply with the terms of such program.

[(B) The set-aside acreage shall be devoted to conservation uses, in accordance with regulations issued by the Secretary.

[(C) If a set-aside program is established, the Secretary may limit the acreage planted to wheat. Such limitation shall be applied on a uniform basis to all wheat-producing farms.

[(D) The Secretary may make such adjustments in individual set-aside acreages under this paragraph as the Secretary determines necessary—

[(i) to correct for abnormal factors affecting production; and

[(ii) to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, topography, and such other factors as the Secretary determines necessary.

[(4)(A) The regulations issued by the Secretary under paragraphs (2) and (3) with respect to acreage required to be devoted to conservation uses shall assure production of such acreage from weeds and wind and water erosion.

[(B) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not affect farm income adversely.

[(C)(i) Except as provided in clauses (ii) and (iii), haying and grazing of acreage designated as conservation use acreage for the purpose of meeting any requirements established under an acreage limitation program (including a program conducted under subsection (c)(1)(C), set-aside program, or land diversion program established under this section shall be permitted, except during any consective 5-month period that is established by the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State. Such 5-month period shall be established during the period beginning April 1, and ending October 31, of a year.

[(ii) In the case of a natural disaster, the Secretary may permit unlimited haying and grazing on such acreage.

[(iii) Haying and grazing shall not be permitted for any crop under clause (i) if the Secretary determines that haying and grazing would have an adverse economic effect.

[(D) In determining the quantity of land to be devoted to conservation uses under an acreage limitation or set-aside program with respect to land that has been farmed under summer fallow prac-

tices, as defined by the Secretary, the Secretary shall consider the effects of soil erosion and such other factors as the Secretary considers appropriate.

[(5)(A)(i) The Secretary may make land diversion payments to producers of wheat, whether or not an acreage limitation program, set-aside program, or marketing quotas for wheat are in effect, if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Such land diversion payments shall be made to producers who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in accordance with land diversion contracts entered into by the Secretary with such producers.

[(ii) The amounts payable to producers under land diversion contracts may be determined through the submission of bids for such contracts by producers in such manner as the Secretary may prescribe or through such other means as the Secretary determines appropriate. In determining the acceptability of contract offers, the Secretary shall take into consideration the extent of the diversion to be undertaken by the producers and the productivity of the acreage diverted.

[(iii) The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to affect adversely the economy of the county or local community.

[(B)(i) Notwithstanding the foregoing provisions of this paragraph, the Secretary shall implement a land diversion program for the 1986 crop of wheat for producers who plant the 1986 crop of wheat before the announcement by the Secretary of the wheat acreage limitation program for that crop under which the Secretary shall make crop retirement and conservation payments to any such producer of the 1986 crop of wheat who—

[(I) reduces the acreage on the farm planted to wheat for harvest so that it does not exceed the wheat crop acreage base for the farm less an amount equivalent to 10 percent of the wheat crop acreage base (in addition to any reduction required under paragraph (2)); and

[(II) devotes to approved conservation uses an acreage of cropland equivalent to the reduction required from the wheat crop acreage base under this paragraph.

[(ii) Payments under clause (i) shall be made in an amount computed by multiplying—

[(I) the diversion payment rate; by

[(II) the acreage diverted under this paragraph; by

[(III) the farm program payment yield for the crop.

[(iii) The diversion payment rate shall be $2.00 per bushel.

[(6)(A) Any reduced acreage, set-aside acreage, and additional diverted acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies.

[(B) The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of subparagraph (A).

[(C) The Secretary may also pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by

the producer on reduced acreage, set-aside acreage, or additional diverted acreage.

[(D) The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm, as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

[(7)(A) An operator of a farm desiring to participate in the program conducted under this subsection shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe.

[(B) The Secretary may, by mutual agreement with producers on a farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

[(8) Notwithstanding the foregoing provisions of this subsection, in carrying out the program conducted under this subsection, the Secretary may prescribe production targets for participating farms expressed in bushels of production so that all participating farms achieve the same pro rata reduction in production as prescribed by the national production targets.

[(g)(1) The Secretary may, for each of the 1986 through 1990 crops of wheat, make payments available to producers who meet the requirements of this subsection.

[(2) Such payments shall be—

[(A) made in the form of wheat owned by the Commodity Credit Corporation; and

[(B) subject to the availability of such wheat.

[(3)(A) Payments under this subsection shall be determined in the same manner as provided in subsection (b).

[(B) The quantity of wheat to be made available to a producer under this subsection shall be equal in value to the payments so determined under such subsection.

[(4) A producer shall be eligible to receive a payment under this subsection for a crop if the producer—

[(A) agrees to forgo obtaining a loan or purchase agreement under subsection (a);

[(B) agrees to forgo receiving payments under subsection (c);

[(C) does not plant wheat for harvest in excess of the crop acreage base reduced by one-half of any acreage required to be diverted from production under subsection (f); and

[(D) otherwise complies with this section.

[(h)(1) If the failure of a producer to comply fully with the terms and conditions of the program conducted under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as the Secretary determines are equitable in relation to the seriousness of the failure.

[(2) The Secretary may authorize the county and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or modify dead-

lines and other program requirements in cases in which lateness or failure to meet such other requirements does not affect adversely the operation of the program.

[(i) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

[(j) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

[(k) The provisions of section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) (relating to assignment of payments) shall apply to payments under this section.

[(l) The Secretary shall provide for the sharing of payments made under this section for any farm among the producers on the farm on a fair and equitable basis.

[(m) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers.

[(n)(1) Except as provided in paragraphs (2) and (2), compliance on a farm with the terms and conditions of any other commodity program many not be required as a condition of eligibility for loans, purchases, or payments under this section.

[(2) The Secretary may require that, as a condition of eligibility of producers on a farm for loans, purchases, or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect not exceed the crop acreage base for that commodity.

[(3) If a set-aside program is established for a crop of wheat under subsection (f)(3), compliance on a farm with the terms and conditions of any other commodity program may be required as a condition of eligibility for loans, purchases, or payments under this section.]

[[WHEAT AND FEED GRAIN EXPORT CERTIFICATE PROGRAMS]

[SEC. 107F. (a)(1) The Secretary may establish a program, applicable to any of the 1986 through 1990 crops of wheat or feed grains, to provide incentives for the export of any of such crops of wheat and feed grains from private stocks. The program for any such crop established under this subsection by the Secretary shall include the following terms:

[(A) The Secretary shall issue wheat or feed grain export certificates to producers to whom the Secretary makes loans and payments under section 107D or 105C, respectively, for a crop if such producers comply with the terms and conditions of the program for such crop.

[(B) Each such certificate shall bear a monetary denomination and a designation specifying a quantity of the crop of the commodity involved, selected by the Secretary.

[(C) The aggregate quantity of wheat or feed grains specified in all export certificates distributable to eligible producers of the crop involved shall be equal to—

[(i) the aggregate amount of wheat or feed grains produced by producers participating in the program for the crop under section 107D or 105C, as determined by multiplying the acreage planted by each such producer for har-

vest times the farm program payment yield for the commodity, times

[(ii) an export production factor.

For purposes of this subparagraph, the export production factor for a crop shall be determined by the Secretary by dividing the quantity of such crop harvested domestically that the Secretary estimates will not be used domestically and will be available for export (excluding the portion of the crop expected to be added to carryover stocks) during the marketing year for such crop by the quantity of such crop that the Secretary estimates will be harvested domestically.

[(D) Wheat or feed grain export certificats shall be distributed among eligible producers in a manner that will ensure that each eligible producer receives certificates having an aggregate face value that represents an equal rate of return per unit of wheat or feed grains produced by such producer for such crop. For purposes of determining such rate of return, the Secretary shall take into consideration regional variations in the cost incurred by producers to market the commodity (including transportation costs).

[(E) An export certificate issued under this subsection shall be redeemed by the Secretary for a cash amount equal to the monetary denomination on such certificate (or, at the option of the Secretary, a quantity on the commodity involved having a current fair market value equal to such amount) only on presentation by a holder who exports a quantity of the crop involved (including processed wheat or feed grains) equal to the quantity designated in the certificate and only if the Secretary has not redeemed previously an export certificate issued under this subsection presented in connection with the particular wheat or feed grains so exported.

[(2) The Secretary shall carry out this subsection through the Commodity Credit Corporation. If sufficient funds are available to the Corporation, there shall be expended to carry out this subsection with respect to the export of the crop of wheat or feed grains involved an amount not less than the product of multiplying—

[(A) 21 cents for wheat, 11 cents for corn, and such amounts for grain sorghums, oats, and, if designated by the Secretary, barley as the Secretary determines fair and reasonable in relation to the amount specified for corn, times

[(B) the aggregate of the wheat or feed grain acreage planted to the commodity for harvest by producers participating in the program for the crop with respect to which deficiency payments are available under section 107D or 105C, times

[(C) the average of the program yields for the crop.

[(3) Funds expended to carry out export certificate programs established under this subsection shall be in addition to, and not in place of, funds authorized by any other law to be expended to finance or encourage the export of wheat or feed grains.

[(4) For purposes of facilitating the transfer of export certificates under this subsection, the Commodity Credit Corporation may buy and sell certificates in accordance with regulations prescribed by the Secretary.

[(b)(1) Effective for each of the 1986 through 1990 crops of wheat or feed grains, the Secretary may issue to eligible producers (who, for purposes of this subsection, are producers of wheat or feed grains participating in the program under this Act for such crop who meet the requirements of paragraph (2)) export marketing certificates, denominated in bushels of wheat or feed grains, as applicable, for the crop, which shall be used, under such terms and conditions as the Secretary may prescribe consistent with the provisions of this subsection, as follows:

[(A) Not later than 3 months before the beginning of the marketing year for a crop of wheat or feed grains, the Secretary may issue to eligible producers that plant at least 50 percent of the farm's wheat or feed grain crop acreage base for such crop, export marketing certificates to be applicable to such marketing year that, in the aggregate, shall equal the quantity of the commodity the Secretary estimates will be exported during the marketing year. Each such eligible producer shall receive certificates for a quantity of the commodity that bears the same ratio to the quantity of estimated exports as the producer's crop acreage base for that crop of the commodity bears to the aggregate total of all such eligible producers' crop acreage bases for that crop, rounded upward to the nearest full bushel.

[(B) The denomination of export marketing certificates shall be 1 bushel (with no accompanying cash face value), except that the Secretary may issue certificates in multiples of such denomination, and any certificate in the multiple of such denomination, may be exchanged by the producer, at the county Agricultural Stabilization and Conservation Service office, for certificates representing an equivalent quantity of the commodity in different multiples, to facilitate the operation of the program under this subsection. Each export marketing certificate shall designate the producer by name and the crop involved.

[(C) If 7 months after the beginning of the marketing year for the crop, the Secretary determines that the amount of the commodity that will be exported during the marketing year for that crop will exceed the aggregate quantity of the commodity represented by all the export marketing certificates so issued, the Secretary may issue additional export marketing certificates to producers that initially receive certificates for the crop sufficient to cover the additional exports, such certificates to be apportioned among such producers so that producer receives the same portion of the additional certificates issued that the producer received of the export certificates initially issued for the crop, as provided in subparagraph (A), rounded upward to the nearest full bushel.

[(D) Producers may convey export marekting certificates issued under this subsection to purchasers of the commodity involved sold by the producers at any time prior to the end of the marketing year for the crop described in the certificate. If a producer has less wheat or feed grains to sell than the quantity represented by the export marketing certificates issued to the producer, because of the reduced production or other

reason or because, in the case of additional certificates issued under subparagraph (C), the producer had disposed of the producer's wheat or feed grains prior to the issuance of such additional certificates, the producer, at any time prior to the end of the marketing year for the crop involved, may sell the extra export marketing certificates to any person for such price as agreed on by the producer and purchaser. Any certificate may be reconveyed without restriction.

[(2) To be eligible to receive export certificates under this subsection for a crop of wheat or feed grains, a producer of such commodity must participate in the program under this title for such crop, and

[(A) if there is no acreage limitation or set-aside in effect for the crop, limit the acreage on the farm planted to the crop for harvest to the farm's wheat or feed grain crop acreage base, as applicable;

[(B) if an acreage limitation is in effect for the crop, limit the acreage on the farm planted to the crop acreage base, as applicable, reduced to the extent required under the acreage limitation program, and comply with any other terms of the acreage limitation program established by the Secretary; or

[(C) if a set-aside program is in effect for the crop, comply with the set-aside and other terms of the set-aside program established by the Secretary.

[(3) Whenever the Secretary issues certificates under this subsection for a crop of wheat or feed grains, no person may export wheat or feed grains or products thereof, from the United States during the marketing year for the crop without surrendering to the Secretary, at the time of export, export marketing certificates for such crop representing the quantity of the commodity being exported or, in the case of wheat or feed grain products, the equivalent quantity of the commodity contained in the products being exported. Persons that fail to comply with the requirements of the preceding sentence shall be subject, for each violation thereof, to a fine of not more than $25,000 or imprisonment for not to exceed 1 year, or both such fine and imprisonment. This paragraph shall not apply to exports of commodities or products owned by the Federal Government or any agency or instrumentality thereof, nor to commodities or products provided to the exporter by the Commodity Credit Corporation under an export development program.

[(4) Any person who falsely makes, issues, alters, forges, or counterfeits any export marketing certificate, or with fraudulent intent possesses, transfers, or uses any such falsely made, issued, altered, forged, or counterfeited export marketing certificate, shall be subject to a fine of not more than $10,000 or imprisonment or not more than 10 years, or both such fine and imprisonment.

[(5) For purposes of facilitating the transfer of export certificates under this subsection, the Commodity Credit Corporation may buy and sell certificates in accordance with regulations prescribed by the Secretary.]

[PRICE SUPPORT FOR 1978 THROUGH 1981 CROPS OF PEANUTS

[SEC. 108]

[PRICE SUPPORT FOR 1982 THROUGH 1985 CROPS OF PEANUTS

[SEC. 108A.]

[PRICE SUPPORT FOR 1986 THROUGH 1990 CROPS OF PEANUTS

[SEC. 108B. Notwithstanding any other provision of law:

[(1)(A) The Secretary shall make price support available to producers through loans, purchases, and other operations on quota peanuts for each of the 1986 through 1990 crops.

[(B)(i) The national average quota support rate for the 1986 crop of quota peanuts shall be equal to the national average support rate established for the 1985 crop of quota peanuts, adjusted by the Secretary by a percentage equal to the percentage of any increase in the prices paid by producers for commodities and services, interest, taxes, and wage rates during the period beginning with calendar year 1981 and ending with calendar year 1985 as determined by the Secretary.

[(ii) The national average quota support rate for each of the 1987 through 1990 crops of quota peanuts shall be the national average quota support rate from the immediately preceding crop, adjusted to reflect any increase, during the calendar year immediately preceding the marketing year for the crop for which a level of support is being determined, in the national average cost of peanut production, excluding any change in the cost of land, except that in no event shall the national average quota support rate for any such crop exceed by more than 6 percent the national average quota support rate for the preceding crop.

[(C) The levels of support so announced shall not be reduced by any deductions for inspection, handling, or storage.

[(D) The Secretary may make adjustments for location of peanuts and such other factors as are authorized by section 403.

[(E) The Secretary shall announce the level of support for quota peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

[(2)(A) The Secretary shall make price support available to producers through loans, purchases, or other operations on additional peanuts for each of the 1986 through 1990 crops at such levels as the Secretary finds appropriate, taking into consideration the demand for peanut oil and peanut meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets, except that the Secretary shall set the support rate on additional peanuts at a level estimated by the Secretary to ensure that there are no losses to the Commodity Credit Corporation on the sale or disposal of such peanuts.

[(B) The Secretary shall announce the level of support for additional peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

[(3)(A)(i) In carrying out paragraphs (1) and (2), the Secretary shall make warehouse storage loans available in each of

the three producing areas (described in section 1446.60 of title 7 of the Code of Federal Regulations (January 1, 1985)) to a designated area marketing association of peanut producers that is selected and approved by the Secretary and that is operated primarily for the purpose of conducting such loan activities. The Secretary may not make warehouse storage loans available to any cooperative that is engaged in operations or activities concerning peanuts other than those operations and activities specified in this section and section 359 of the Agricultural Adjustment Act of 1938.

[(ii) Such area marketing associations shall be used in administrative and supervisory activities relating to price support and marketing activities under this section and section 359 of the Agricultural Adjustment Act of 1938.

[(iii) Loans made under this subparagraph shall include, in addition to the price support value of the peanuts, such costs as the area marketing association reasonably may incur in carrying out its responsibilities, operations, and activities under this section and section 359 of the Agricultural Adjustment Act of 1938.

[(B)(i) The Secretary shall require that each area marketing association establish pools and maintain complete and accurate records by area and segregation for quota peanuts handled under loan and for additional peanuts placed under loan, except that separate pools shall be established for Valencia peanuts produced in New Mexico. Bright hull and dark hull Valencia peanuts shall be considered as separate types for the purpose of establishing such pools.

[(ii) Net gains on peanuts in each pool, unless otherwise approved by the Secretary, shall be distributed only to producers who placed peanuts in the pool and shall be distributed in proportion to the value of the peanuts placed in the pool by each producer. Net gains for peanuts in each pool shall consist of the following:

[(I) For quota peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in such pool plus an amount from the pool for additional peanuts, to the extent of the net gains from the sale for domestic food and related uses of additional peanuts in the pool for additional peanuts equal to any loss on disposition of all peanuts in the pool for quota peanuts.

[(II) For additional peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for additional peanuts less any amount allocated to offset any loss on the pool for quota peanuts as provided in subclause (I).

[(4) Notwithstanding any other provision of this section:

[(A) Any distribution of net gains on additional peanuts (other than net gains on additional peanuts in separate type pools established under paragraph (3)(B)(i) for Valencia peanuts produced in New Mexico) shall be first reduced to the extent of any loss by the Commodity Credit Corporation on quota peanuts placed under loan.

[(B)(i) The proceeds due any producer from any pool shall be reduced by the amount of any loss that is incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool under section 358(s)(8) of the Agricultural Adjustment Act of 1938 [(7 U.S.C. 1358(s)(8))].

[(ii) Losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358(s)(8) of the Agricultural Adjustment Act of 1938, shall be offset by any gains or profits from pools in other production areas (other than separate type pools established under paragraph (3)(b)(i) for Valencia peanuts produced in New Mexico) in such manner as the Secretary shall by regulation prescribe.

[(5) Notwithstanding any other provision of law, no price support may be made available by the Secretary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers, as provided for in section 358(u) of the Agricultural Adjustment Act of 1938.

[(6) Notwithstanding any other provision of this section, in the case of each of the 1988 and 1989 crops of peanuts, the Secretary shall reduce outlays under the program provided for under this subsection by an amount equal to 1.4 percent of the amount of outlays that would otherwise be incurred in the absence of the reduction required by this paragraph.]

SEC. 108. PRICE SUPPORT PROGRAM FOR 1991 THROUGH 1995 CROPS OF PEANUTS.

(a) QUOTA PEANUTS.—

(1) IN GENERAL.—The Secretary shall make price support available to producers through loans, purchases, and other operations on quota peanuts for each of the 1991 through 1995 crops.

(2) SUPPORT RATES.—

(A) 1991 CROP.—The national average quota support rate for the 1991 crop of quota peanuts shall be the national average quota support rate for the 1990 crop, adjusted to reflect any increase during 1990 in the national average cost of peanut production, excluding any change in the cost of land, except that the national average quota support rate for the 1991 crop shall not exceed by more than 8 percent the national average quota support rate for the 1990 crop.

(B) 1992 AND 1994 CROPS.—For each of the 1992 and 1994 crops of peanuts, the national average quota support rate shall be the national average quota support rate for the immediately preceding crop.

(C) 1993 AND 1995 CROPS.—For the 1993 and 1995 crops of peanuts, the national average quota support rate shall be the national average quota support rate for the immediately preceding crop, adjusted to reflect any increase, during the 2 calendar years immediately preceding the marketing year for the crop for which a level of support is being determined, in the national average cost of peanut production, excluding any change in the cost of land, except that the total of the increases in the national average cost of peanut

production for each of the 2 preceding years shall not exceed an average of 4 percent.

(3) INSPECTION, HANDLING, OR STORAGE.—The levels of support so announced shall not be reduced by any deductions for inspection, handling, or storage.

(4) LOCATION AND OTHER FACTORS.—The Secretary may make adjustments for location of peanuts and such other factors as are authorized by section 403.

(5) ANNOUNCEMENT.—The Secretary shall announce the level of support for quota peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

(b) ADDITIONAL PEANUTS.—

(1) IN GENERAL.—The Secretary shall make price support available to producers through loans, purchases, or other operations on additional peanuts for each of the 1991 through 1995 crops at such levels as the Secretary finds appropriate, taking into consideration the demand for peanut oil and peanut meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets, except that the Secretary shall set the support rate on additional peanuts at a level estimated by the Secretary to ensure that there are no losses to the Commodity Credit Corporation on the sale or disposal of the peanuts.

(2) ANNOUNCEMENT.—The Secretary shall announce the level of support for additional peanuts of each crop not later than February 15 preceding the marketing year for the crop for which the level of support is being determined.

(c) AREA MARKETING ASSOCIATIONS.—

(1) WAREHOUSE STORAGE LOANS.—

(A) IN GENERAL.—In carrying out subsections (a) and (b), the Secretary shall make warehouse storage loans available in each of the three producing areas (described in section 1446.95 of title 7 of the Code of Federal Regulations (January 1, 1989)) to a designated area marketing association of peanut producers that is selected and approved by the Secretary and that is operated primarily for the purpose of conducting the loan activities. The Secretary may not make warehouse storage loans available to any cooperative that is engaged in operations or activities concerning peanuts other than those operations and activities specified in this section and sections 359 and 359a of the Agricultural Adjustment Act of 1938.

(B) ADMINISTRATIVE AND SUPERVISORY ACTIVITIES.—The area marketing associations shall be used in administrative and supervisory activities relating to price support and marketing activities under this section and sections 359 and 359a of the Agricultural Adjustment Act of 1938.

(C) ASSOCIATION COSTS.—Loans made to the association under this paragraph shall include, in addition to the price support value of the peanuts, such costs as the area marketing association reasonably may incur in carrying out its responsibilities, operations, and activities under this section

and sections 359 and 359a of the Agricultural Adjustment Act of 1938.

(2) POOLS FOR QUOTA AND ADDITIONAL PEANUTS.—

(A) IN GENERAL.—The Secretary shall require that each area marketing association establish pools and maintain complete and accurate records by area and segregation for quota peanuts handled under loan and for additional peanuts placed under loan, except that separate pools shall be established for Valencia peanuts produced in New Mexico. Bright hull and dark hull Valencia peanuts shall be considered as separate types for the purpose of establishing the pools.

(B) NET GAINS.—Net gains on peanuts in each pool, unless otherwise approved by the Secretary, shall be distributed only to producers who placed peanuts in the pool and shall be distributed in proportion to the value of the peanuts placed in the pool by each producer. Net gains for peanuts in each pool shall consist of the following:

(i) QUOTA PEANUTS.—For quota peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool plus an amount from all additional pool gains equal to any loss on disposition of all peanuts in the pool for quota peanuts.

(ii) ADDITIONAL PEANUTS.—For additional peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for additional peanuts less any amount allocated to offset any loss on the pool for quota peanuts as provided in clause (i).

(d) LOSSES.—Notwithstanding any other provision of this section:

(1) QUOTA PEANUTS PLACED UNDER LOAN.—Any distribution of net gains on additional peanuts (other than net gains on additional peanuts in separate type pools established under subsection (c)(2)(A) for Valencia peanuts produced in New Mexico) shall be first reduced to the extent of any loss of the Commodity Credit Corporation on quota peanuts placed under loan.

(2) QUOTA LOAN POOLS.—

(A) TRANSFERS FROM ADDITIONAL LOAN POOLS.—The proceeds due any producer from any pool shall be reduced by the amount of any loss that is incurred with respect to peanuts transferred from additional loan pool to a quota loan pool by such producer under section 358–1(b)(8) of the Agricultural Adjustment Act of 1938.

(B) OTHER LOSSES.—Losses in area quota pools, other than losses incurred as a result of transfers from additional loan pools to quota loan pools under section 358–1(b)(8) of the Agricultural Adjustment Act of 1938, shall be offset by any gains or profits from pools in other production areas (other than separate type pools established under subsection (c)(2)(A) for Valencia peanuts produced in New Mexico) in such manner as the Secretary shall by regulation prescribe.

(e) DISAPPROVAL OF QUOTAS.—Notwithstanding any other provision of law, no price support may be made available by the Secre-

tary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers, as provided for in section 358-1(d) of the Agricultural Adjustment Act of 1938.

(f) QUALITY IMPROVEMENT.—

(1) IN GENERAL.—With respect to peanuts placed under price support loan, the Secretary—

(A) is encouraged to evaluate the peanut inspection and grading procedures being used on the date of enactment of this section and, to the extent practicable, encourage the incorporation of objective methods and technologies shown to improve peanut quality;

(B) is encouraged to provide incentives for producers to reduce loose shelled kernels in farmers stock peanuts;

(C) shall encourage, to the maximum extent practicable, the crushing of peanuts at greater risk of deterioration before peanuts that are at a lesser risk; and

(D) if higher standards for quality and inspection are adopted in the implementation of the Peanut Marketing Agreement No. 146, may make such adjustments in the quality and inspection standards for peanuts placed under price support loan as are needed to maintain consistency with the higher standards.

(2) PRICES.—Any changes in grades or quality resulting from modifications made under this subsection shall be implemented so as to maintain or increase the average price to producers.

(g) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of peanuts.

SPECIAL WHEAT ACREAGE GRAZING AND HAY PROGRAM FOR 1978 THROUGH 1990 CROP YEARS

SEC. 109. Notwithstanding any other provision of law—

(a) The Secretary is authorized to administer a special wheat acreage grazing and hay program (hereinafter in this section referred to as the "special program") in each of the crop years 1978 through [1990] *1995*. If a special program is implemented, a producer shall be permitted to designate, under such regulations as established by the Secretary, a portion of the acreage on the farm intended to be planted to wheat, feed grains, or upland cotton for harvest, not in excess of 40 per centum thereof, or 50 acres, whichever is greater, which shall be planted to wheat (or some other commodity other than corn or grain sorghum) and used by the producer for grazing purposes or hay rather than for commercial grain production. A producer who elects to participate in the special program shall receive a payment as provided in subsection (c) of this section.

(b) Any producer who elects to participate in the special program under this section shall designate the specific acreage on the farm which is to be used for the purposes set forth in subsection (a) of this section. No crop other than hay may be harvested from acreage included in the special program.

(c) The Secretary shall pay the producer participating in the special program an amount determined by multiplying the farm pro-

gram payment yield for wheat established for the farm, by the number of acres included in the special program by a rate of payment determined by the Secretary to be fair and reasonable. The producer shall not be eligible for any other payment or price support or any portion of the acreage for the farm which the producer elects to include in the special program.

(d) Acreage included in the special program shall be in addition to any acreage included in any acreage set-aside, reduced acreage, or land diversion program otherwise provided for by law.

(e) The Secretary is authorized to issue such regulations as the Secretary determines necessary to carry out the provisions of this section.

(f) The Secretary shall carry out the special program through the Commodity Credit Corporation.

[PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS

[SEC. 110. (a) The Secretary shall formulate and administer a program under which producers of wheat and feed grains will be able to store wheat and feed grains when such commodities are in abundant supply, extend the time period for their orderly marketing, and provide for adequate, but not excessive, carryover stocks to ensure a reliable supply of the commodities. The Secretary shall establish safeguards to assure that wheat and feed grains held under the program shall not be utilized in any manner to unduly depress, manipulate, or curtail the free market. The authority provided by this section shall be in addition to other authorities available to the Secretary for carrying out producer loan and storage operations.

[(b) In carrying out the producer storage program, the Secretary shall provide original or extended price support loans for wheat and feed grains under terms and conditions designed to encourage producers to store wheat and feed grains for extended periods of time in order to promote orderly marketing when wheat or feed grains are in abundant supply. Loans made under this section shall be made at such level of support as the Secretary determines appropriate, except that the loan rate shall not be less than the then current level of support under the wheat and feed grain programs established under this title. Among such other terms and conditions as the Secretary may prescribe by regulation, the program may provide for (1) repayment of such loans in not less than three years, with extensions as warranted by market conditions; (2) payments to producers for storage in such amounts and under such conditions as the Secretary determines appropriate to encourage producers to participate in the program; (3) a rate of interest as determined under subsection (c) of this section; (4) recovery of amounts paid for storage, and for the payment of additional interest or other charges if such loans are repaid by producers when the total amount of wheat or feed grains in storage under programs under this section is below the upper limits for such storage as set forth in clauses (A) and (B) of subsection (e)(2) and the market price for wheat or feed grains is below the price levels determined under clause (5) of this sentence; and (5) conditions designed to induce producers to redeem and market the wheat or feed grains securing

such loans without regard to the maturity dates thereof whenever the Secretary determines that the market price for the commodity has attained the higher of 140 percent of the nonrecourse loan rate for the commodity or the established price for such commodity, as determined under title I. Whenever—

[(A)(i) the total quantity of wheat stored under storage programs established under this section is less than 300 million bushels; or

[(ii) the total quantity of feed grains stored under storage programs established under this section is less than 450 million bushels; and

[(B) the market price of the commodity, as determined by the Secretary, does not exceed 140 percent of the nonrecourse loan rate for the commodity;

the Secretary shall encourage participation in the programs authorized under this section by offering producers increased storage payments and loan levels, interest waivers, or such other incentives as the Secretary determines necessary to maintain the total amount of storage under the programs at the levels specified in clauses (A) and (B). The Secretary shall ensure that producers are afforded a fair and equitable opportunity to participate in each producer storage program, taking into account regional differences in the time of harvest.

[(c) The rate of interest charged participants in the program authorized by this section shall be not less than the rate of interest charged the Commodity Credit Corporation by the United States Treasury, except that the Secretary may waive or adjust such interest as the Secretary deems appropriate to effectuate the purposes of this section. The Secretary may increase the applicable rate of interest in such amounts and at such intervals as the Secretary determines is appropriate to encourage the orderly marketing of wheat and feed grains securing loans made under this section after the market price for the commodity has attained the level determined under clause (5) of the third sentence of subsection (b) of this section.

[(d) Notwithstanding any other provision of law, the Secretary may require producers to repay loans under this section plus accrued interest and such other charges as may be required by regulation prior to the maturity date thereof if the Secretary determines that emergency conditions exist which require that such commodity be made available in the market to meet urgent domestic or international needs and the Secretary reports such determination and the reasons therefor to the President, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives at least fourteen days before taking such action.

[(e)(1) The Secretary shall announce the terms and conditions of the producer storage program as far in advance of making loans as practicable. In such announcement, the Secretary shall specify the quantity of wheat or feed grains to be stored under the program which the Secretary determines appropriate to promote the orderly marketing of such commodities, subject to the upper limits on total quantity of wheat and feed grains that may be stored under stor-

age programs established under this section set out in paragraph (2).

[(2) Prior to the harvest of each crop of wheat and feed grains, the Secretary shall determine and establish upper limits on the total quantity of wheat and feed grains that may be stored under storage programs established under this section to be effective during the marketing year for such crop, as follows:

[(A) The upper limit on the total quantity of wheat that may be stored under such programs shall not exceed 30 percent of the estimated total domestic and export usage of wheat during the marketing year for the crop of wheat, as determined by the Secretary.

[(B) The upper limit on the total quantity of feed grains that may be stored under such programs shall not exceed 15 percent of the estimated total domestic and export usage of feed grains during the marketing year for the crop, as determined by the Secretary.

[(C) Notwithstanding clauses (A) and (B), the Secretary may establish the upper limits at higher levels—not in excess of 110 percent of the levels determined under clauses (A) and (B)—if the Secretary determines that the higher limits are necessary to achieve the purposes of this section.

[(f) Notwithstanding any other provision of law, except as otherwise provided under section 302 of the Food Security Wheat Reserve Act of 1980 [(7 U.S.C. 1736f-1)] and section 208 of the Agricultural Trade Suspension Adjustment Act of 1980 [(7 U.S.C. 4001)], whenever the program authorized by this section is in effect, the Commodity Credit Corporation may not sell any of its stocks of wheat or feed grains at less than 110 per centum of the then current price level at which the Secretary may encourage repayment of producer storage loans with respect to the commodity prior to the maturity dates of such loans, as determined under clause (5) of the third sentence of subsection (b) of this section. The foregoing restriction shall not apply to—

[(1) sales of such commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage;

[(2) sales or other disposals of such commodities under (A) the fifth and sixth sentences of section 407 of this Act; (B) the Act of September 21, 1959 (7 U.S.C. 1427 note); and (C) section 813 of the Agricultural Act of 1970 [(7 U.S.C. 1427a)]; and

[(3) sales of corn for use in the production of alcohol for motor fuel at facilities that—

[(A) began operation after January 4, 1980, and

[(B) whenever supplies of corn are not readily available, can produce alcohol from agricultural or forestry biomass feedstocks other than corn,

when sold at not less than the price at which producers may repay producer storage loans and redeem corn prior to the maturity dates of loans, as determined under clause (5) of the third sentence of subsection (b) of this section, or, whenever the fuel conversion price (as defined in section 212 of the Agricultural Trade Suspension Adjustment Act of 1980 [(7 U.S.C.

4005)]) for corn exceeds such price, at not less than the fuel conversion price.

[(g) The Secretary may, with the concurrence of the owner of grain stored under the program authorized by this section, reconcentrate all such grain stored in commercial warehouses at such points as the Secretary deems to be in the public interest, taking into account such factors as transportation and normal marketing patterns. The Secretary shall permit rotation of stocks and facilitate maintenance of quality under regulations which assure that the holding producer or warehouseman shall, at all times, have available for delivery at the designated place of storage both the quantity and quality of grain covered by the producer's or warehouseman's commitment.

[(h) Whenever grain is stored under the provisions of this section, the Secretary may buy and sell at an equivalent price, allowing for the customary location and grade differentials, substantially equivalent quantities of grain in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate such commodities which the Commodity Credit Corporation owns or controls. Such purchases to offset sales shall be made within two market days following the sales. The Secretary shall make a daily list available showing the price, location, and quantity of the transactions.

[(i) The Secretary shall use the Commodity Credit Corporation, to the extent feasible, to fulfill the purposes to this section. To the maximum extent practicable consistent with the fulfillment of the purposes of this section and the effective and efficient administration of this section, the Secretary shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

[(j) Notwithstanding any other provision of law, if a producer has substituted purchased or other commodities for the commodities originally pledged as collateral for a loan made under this section, the producer may repay the loan using a generic commodity certificate that may be exchanged for commodities owned by the Commodity Credit Corporation, if the substitute commodities have been pledged as loan collateral and redeemed only within the same county.]

SEC. 110. PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS.

(a) IN GENERAL.—The Secretary shall formulate and administer a producer storage program under which producers of wheat and feed grains will be able to store wheat and feed grains when the commodities are in abundant supply, extend the time period for the orderly marketing of the commodities, and provide for adequate carryover stocks to ensure a reliable supply of the commodities.

(b) TERMS OF PROGRAM—

(1) PRICE SUPPORT LOANS.—In carrying out this program, the Secretary shall provide original or extended price support loans for wheat and feed grains under terms and conditions designed to encourage producers to store wheat and feed grains for extended periods of time whenever the supply of wheat and feed grains are in abundant supply, as determined by the Secretary, or whenever the price of wheat or feed grains is less than 140

percent of the loan rate established under this title for wheat and feed grains.

(2) LEVEL OF LOANS.—Loans made under this section shall not be less than the then current level of support under the wheat and feed grain programs established under this title.

(3) OTHER TERMS AND CONDITIONS.—The Secretary shall provide for—

(A) loans with a maturity of not less than 3 years, with extensions as warranted by market conditions;

(B) a rate of interest as provided under subsection (c); and

(C) payments to producers for storage as provided in subsection (d).

(4) REGIONAL DIFFERENCES.—The Secretary shall ensure that producers are afforded a fair and equitable opportunity to participate in the program established under this section, taking into account regional differences in the time of harvest.

(c) INTEREST CHARGES.—

(1) LEVYING OF INTEREST.—The Secretary may charge interest on loans under this section whenever the price of wheat or feed grains is equal to or exceeds the then current established price for the commodities.

(2) 90-DAY PERIOD.—If interest is levied on the loans under paragraph (1), the interest may be charged for a period of 90 days after the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities.

(3) RATE OF INTEREST.—The rate of interest charged participants in this program shall not be less than the rate of interest charged by the Commodity Credit Corporation by the United States Treasury, except that the Secretary may waive or adjust the interest as the Secretary considers appropriate to effectuate the purposes of this section.

(d) STORAGE PAYMENTS.—

(1) IN GENERAL.—The Secretary shall provide storage payments to producers for storage of wheat or feed grains under the program established in this section in such amounts and under such conditions as the Secretary determines appropriate to encourage producers to participate in the program.

(2) TIMING.—The Secretary shall make storage payments available to participants in this program at the end of each quarter.

(3) DURATION.—The Secretary may cease making storage payments whenever the price of wheat or feed grains is equal to or exceeds the then current established price for the commodities, and for any 90-day period immediately following the last day on which the price of wheat or feed grains was equal to or in excess of the then current established price for the commodities.

(e) EMERGENCIES.—Notwithstanding any other provision of law, the Secretary may require producers to repay loans under this section, plus accrued interest and such other charges as may be required by regulation prior to the maturity date thereof, if the Secretary determines that emergency conditions exist that require that the commodity be made available in the market to meet urgent domestic or international needs and the Secretary reports the determi-

nation and the reasons for the determination to the President, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition and Forestry of the Senate at least 14 days before taking the action.,

(f) QUANTITY OF COMMODITIES IN PROGRAM—The Secretary may establish maximum quantities of wheat and feed grains that may receive loans and storage payments under this program as follows:

(1) The quantities may not be established at less than 300 million bushels of wheat and 600 million bushels of feed grains.

(2) The quantities may not be established at more than—

(A) 30 percent of the estimated total domestic and export usage of wheat during the marketing year for the crop of wheat, as determined by the Secretary; and

(B) 15 percent of the estimated total domestic and export usage of feed grains during the marketing year for the crop, as determined by the Secretary.

(3) Notwithstanding paragraph (2), the Secretary may establish the upper limits at higher levels, not in excess of 110 percent of the levels established in paragraph (2), if the Secretary determines that the higher limits are necessary to achieve the purposes of this section.

(g) ANNOUNCEMENT OF PROGRAM.—

(1) TIME OF ANNOUNCEMENT.—The Secretary shall announce the terms and conditions of the producer storage program as far in advance of making loans as practicable.

(2) CONTENT OF ANNOUNCEMENT.—In the announcement, the Secretary shall specify the quantity of wheat or feed grains to be stored under this program that the Secretary determines appropriate to promote the orderly marketing of the commodities.

(h) RECONCENTRATION OF GRAIN.—The Secretary may, with the concurrence of the owner of grain stored under this program, reconcentrate all such grain stored in commercial warehouses at such points as the Secretary considers to be in the public interest, taking into account such factors as transportation and normal marketing patterns. The Secretary shall permit rotation of stocks and facilitate maintenance of quality under regulations that assure that the holding producer or warehouseman shall, at all times, have available for delivery at the designated place of storage both the quantity and quality of grain covered by the producer's or warehouseman's commitment.

(i) MANAGEMENT OF GRAIN.—Whenever grain is stored under this section, the Secretary may buy and sell at an equivalent price, allowing for the customary location and grade differentials, substantially equivalent quantities of grain in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate the commodities that the Commodity Credit Corporation owns or controls. The purchases to offset sales shall be made within 2 market days following the sales. The Secretary shall make a daily list available showing the price, location, and quantity of the transactions.

(j) USE OF COMMODITY CREDIT CORPORATION.—The Secretary shall use the Commodity Credit Corporation, to the extent feasible, to fulfill the purposes of this section. To the maximum extent prac-

ticable consistent with the fulfillment of the purposes of this section and the effective and efficient administration of this section, the Secretary shall utilize the usual and customary channels, facilities, and arrangements of trade and commerce.

(k) USE OF COMMODITY CERTIFICATES.—Notwithstanding any other provision of law, if a producer has substituted purchased or other commodities for the commodities originally pledged as collateral for a loan made under this section, the Secretary may allow a producer to repay the loan using a generic commodity certificate that may be exchanged for commodities owned by the Commodity Credit Corporation, if the substitute commodities have been pledged as loan collateral and redeemed only within the same county.

(l) ADDITIONAL AUTHORITY.—The authority provided by this section shall be in addition to other authorities available to the Secretary for carrying out producer loan and storage operations.

(m) ENTRY QUALITY STANDARDS.—In announcing the terms and conditions of the producer storage program under subsection (d)(1), the Secretary shall establish standards concerning the quality of grain that shall be allowed to be stored under the program, and such standards should encourage only quality grain, as determined by the Secretary, to be pledged as collateral for such loans. The Secretary shall establish such inspection, maintenance, and stock rotation requirements as are necessary to maintain the quality of such grain.

* * * * * * *

SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY

SEC. 113. Notwithstanding any other provision of law or prior announcement made by the Secretary to the contrary, the Secretary may announce and provide for a set-aside or acreage limitation program under section [105C or 107D] *105C or 107D* for one or more of the [1986 through 1990] *1991 through 1995* crops of wheat and feed grains if the Secretary determines that such action is in the public interest as a result of the imposition of restrictions on the export of any such commodity by the President or other member of the executive branch of the Federal Government. To carry out effectively a set-aside or acreage limitation program authorized under this section, the Secretary may make such modifications and adjustments in such program as the Secretary determines necessary because of any delay in instituting such program.

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

[PRICE SUPPORT LEVELS FOR DESIGNATED NONBASIC AGRICULTURAL COMMODITIES]

SEC. 201. (a) The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for [tung nuts], *soybeans, sunflower seeds, canola, rape-seed, safflower, flaxseed, and such other oilseeds as the Secretary may determine,* soybeans, sunflower seeds, [honey and milk],

honey, milk, sugar beets, and sugarcane [as follows:] *in accordance with this title.*

[[(a)]]

[(b)(1) For each of the 1986 through 1990 crops of honey, the price of honey shall be supported through loans, purchases, or other operations as follows:

[(A) For the 1986 crop, the loan and purchase level for honey shall be 64 cents per pound.

[(B) For the 1987 crop, the loan and purchase level for honey shall be 63 cents per pound.

[(C) For each of the 1988, 1989, and 1990 crops, the loan and purchase level for honey shall be the same as the level established for the preceding crop year reduced by 5 percent, except that such level may not be less than an amount equal to 75 percent of the simple average price received by producers of honey in the 5 preceding crop years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period.

[(D) Notwithstanding the foregoing provisions of this paragraph, effective for each of the 1987 through 1990 crops, the loan and purchase level for honey that would otherwise apply under subparagraphs (B) and (C), without regard to this subparagraph, shall be reduced for loans and purchases made after the date of the enactment of this subparagraph [December 22, 1987] by 2 cents per pound for the 1987 crop, ¾ cents per pound for the 1988 crop, ½ cent per pound for the 1989 crop, and ¼ cent per pound for the 1990 crop.

[(2) The Secretary may permit a producer to repay a loan made to the producer under this subsection for a crop at a level that is the lesser of—

[(A) the loan level determines for such crop; or

[(B) such level as the Secretary determined will—

[(i) minimize the number of loan forfeitures;

[(ii) not result in excessive total stocks of honey;

[(iii) reduce the costs incurred by the Federal Government in storing honey; and

[(iv) maintain the competitiveness of honey in domestic and export markets.

[(3)(A) If the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a loan made under this subsection, such person shall, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment under this subsection for the 3 crop years succeeding such determination.

[(B) For purposes of subparagraph (A), honey shall be considered adulterated if—

[(i) any substance has been substituted wholly or in part for such honey;

[(ii) such honey contains a poisonous or deleterious substance that may render such honey injurious to health, except that in any case in which such substance is not added to such honey, such honey shall not be considered adulterated if the quantity of such substance in or on such honey does not ordinarily render it injurious to health; or

[(iii) such honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption.]

[(c)] *(b)* Except as provided in [subsection (d)] *section 204*, the price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Such price support shall be provided through purchases of milk and the products of milk.

[(d) Notwithstanding any other provision of law—

[(1)(A) During the period beginning on January 1, 1986, and ending on December 31, 1990, the price of milk shall be supported as provided in this subsection.

[(B) During the period beginning on January 1, 1986, and ending on December 31, 1986, the price of milk shall be supported at a rate equal to $11.60 per hundredweight for milk containing 3.67 percent milkfat.

[(C)(i) During the period beginning on January 1, 1987, and ending on September 30, 1987, the price of milk shall be supported at a rate equal to $11.35 per hundredweight for milk containing 3.67 percent milkfat.

[(ii) Except as provided in clause (iii) and subparagraph (D), during the period beginning on October 1, 1987, and ending on December 31, 1990, the price of milk shall be supported at a rate equal to $11.10 per hundredweight for milk containing 3.67 percent milkfat.

[(iii) In carrying out this paragraph during calendar year 1990, the Secretary shall offer to purchase butter for not more than $1.10 per pound, except that the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in such other manner as the Secretary determines will result in the lowest level of expenditures by the Commodity Credit Corporation and shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate of such determination.

[(D)(i) Subject to clause (ii), if for calendar year 1990, the level of purchases of milk and the products of milk under this subsection (less sales under section 407 for unrestricted use), as estimated by the Secretary on January 1, of such calendar year, will exceed 5,000,000,000 pounds (milk equvalent), on January 1 of such calendar year, the Secretary may reduce by not more than 50 cents the rate of price support for milk as in effect on such date.

[(ii) The rate of price support for milk may not be reduced under clause (i) unless—

[(I) the milk production termination program under paragraph (3) achieved a reduction in the production of milk by participants in the program of at least 12,000,000,000 pounds during the 18 months of the program; or

[(II) the Secretary submits to Congress a certification, including a statement of facts in support of the certification of the Secretary, that reasonable contract offers were extended by the Secretary under such program but such offers were not accepted by a sufficient number of producers making reasonable bids for contracts to achieve such a reduction in production.

[(E) If for any of the calendar years 1988, 1989, and 1990, the level of purchases of milk and the products of milk under this subsection (less sales under section 407 for unrestricted use), as estimated by the Secretary on January 1 of such calendar year, will not exceed 2,500,000,000 pounds (milk equivalent), the Secretary shall increase by 50 cents the rate of price support for milk in effect on such date.

[(F) The price of milk shall be supported through the purchase of milk and the products of milk.

[(2)(A) Beginning after March 31, 1986, the Secretary shall provide for a reduction to be made in the price received by producers for all milk produced in the United States and marketed by producers for commercial use.

[(B) Except as provided in subparagraphs (E) and (F), the amount of the reduction under subparagraph (A) in the price received by producers shall be—

[(i) the period beginning on April 1, 1986, and ending on December 31, 1986, 40 cents per hundredweight of milk marketed; and

[(ii) during the first 9 months of 1987, 25 cents per hundredweight of milk marketed.

[(C) The funds represented by the reduction in price, required under this paragraph to be applied to the marketings of milk by a producer, shall be collected and remitted to the Commodity Credit Corporation, at such time and in such manner as prescribed by the Secretary, by each person making payment to a producer for milk purchased from such producer, except that in the case of a producer who markets milk of the producer's own production directly to consumers, such funds shall be remitted directly to the Corporation by such producer.

[(D) The funds remitted to the Corporation under this paragraph shall be considered as included in the payments to a producer of milk for purposes of the minimum price provisions of the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

[(E)(i) In lieu of any reductions in payments made by the Secretary for the purchase of milk and the products of milk under this subsection during the period beginning March 1, 1986, and ending September 30, 1986, required under the order issued by the President on February 1, 1986, under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), the Sectetary shall increase the amount of the reduction required under subparagraph (A) during the period beginning April 1, 1986, and ending September 30, 1986, as the sole means of meeting any reductions required under the order in payments made by the Secretary for

the purchase of milk and the products of milk under this subsection.

[(ii) The aggregate amount of any increased reduction under clause (i) shall be equal, to the extent practicable, to the aggregate amount of the reduction that would otherwise be required under the order referred to in clause (i) in payments made by the Secretary for the purchase of milk and the products of milk under this subsection during the period beginning March 1, 1986, and ending September 30, 1986, except that the amount of any increased reduction under clause (i) may not exceed 12 cents per hundredweight of milk marketed.

[(F)(i) The Secretary—

[(I) notwithstanding the Balanced Budget and Emergency Deficit Control Act of 1985 and any order issued by the President under section 252 of such Act [(2 U.S.C. 902)] for a fiscal year; and

[(II) in lieu of making any reduction in payments for the purchase of milk or the products of milk under this subsection during such fiscal year under any such order;

shall provide for the reduction (measured in cents per hundredweight of milk marketed) under subparagraph (A) during the period beginning on October 1 and ending on September 30 of such fiscal year as the sole means of achieving any reduction in budget outlays under the milk price-support program that otherwise would be required under either such order and only for the purpose of substituting for any reduction in payments made by the Secretary for the purchase of milk or the products of milk under either such order.

[(ii) The aggregate amount of any reduction under subparagraph (A) resulting from the operation fo clause (i) may not exceed the aggregate amount of the reduction in budget outlays under the milk price-support program, as estimated by the Secretary, that otherwise would have been achieved under either such order by reducing payments made by the Secretary for the purchase of milk or the products of milk under this subsection during such fiscal year.

[(F) During calendar year 1988, the Secretary shall provide for a reduction of 2½ cents per hundredweight to be made in the price received by producers for all milk produced in the United States and marketed by producers for commerical use.

[(3)(A)(i) The Secretary shall establish and carry out under this paragraph a milk production termination program for the 18-month period beginning April 1, 1986.

[(ii) Under the milk production termination program required under this subparagraph, the Secretary, at the request of any producer of milk in the United States who submits to the Secretary a bid, may offer to enter into a contract with the producer for the purpose of terminating the production of milk by the producer in return for a payment to be made by the Secretary.

[(iii) For the 18-month period for which the milk production termination program under this subparagraph is in effect, the Secretary shall—

[(I) as soon as practicable, determine the total number of dairy cattle the Secretary estimates will be marketed for slaughter as a result of such program; and

[(II) by regulation specify marketing procedures to ensure that greater numbers of dairy cattle slaughtered as a result of the production termination program provided for in this section shall be slaughtered in each of the periods of April through August 1986, and March through August 1987 than for the other months of the program. Such procedures also shall ensure that such sales of dairy cattle for slaughter shall occur on a basis estimated by the Secretary that maintains historical seasonal marketing patterns. During such 18-month period, the Secretary shall limit the total number of dairy cattle marketed for slaughter under the program in excess of the historical dairy herd culling rate to no more than 7 percent of the national dairy herd per calendar year.

[(iv) Each contract made under this subparagraph shall provide that—

[(I) the producer shall sell for slaughter or for export all the dairy cattle in which such producer owns an interest;

[(II) during a period of 3, 4, or 5 years, as specified by the Secretary in each producer contract and beginning on the day the producer completes compliance with subclause (I), the producer neither shall acquire any interest in dairy cattle or in the production of milk nor acquire, or make available to any person, any milk production capacity of a facility that becomes available because of compliance by a producer with such subclause unless the Secretary shall by regulation otherwise permit; and

[(III) if the producer fails to comply with such contract, the producer shall repay to the Secretary the entire payment received under the contract, including simple interest payable at a rate prescribed by the Secretary, which shall, to the extent practicable, reflect the cost to the Corporation of its borrowings from the Treasury of the United States, commencing on the date payment is first received under such contract.

[(v) Any producer of milk who seeks to enter into a contract for payments under this paragraph shall provide the Secretary with (I) evidence of such producer's marketing history; (II) the size and composition of the producer's dairy herd during the period the marketing history is determined; and (III) the size and composition of the producer's dairy herd at the time the bid is submitted, as the Secretary deems necessary and appropriate.

[(vi) Except as provided in subparagraph (D), no producer who commenced marketing of milk in the 15-month period ending March 31, 1986, shall be eligible to enter into a contract for payments under this subpargraph.

[(vii) A contract entered into under this paragraph by a producer who by reason of death cannot perform or assign such contract may be performed or assigned by the estate of such producer.

[(B) The Secretary may establish and carry out a milk diversion or milk production termination program for any of the calendar years of 1988, 1989, and 1990 as necessary to avoid the creation of burdensome excess supplies of milk or milk products.

[(C) In setting the terms and conditions of any milk diversion or milk production termination under this paragraph and of each contract made under this subparagraph, the Secretary shall take into account any adverse effect of such program or contracts on beef, pork, and poultry producers in the United States and shall take all feasible steps to minimize such effect.

[(D) A producer who commenced marketing milk after December 31, 1984, shall be eligible to enter into a contract for payments under this subparagraph if such producer's entire milk production facility and entire dairy herd were transferred to the producer by reason of a gift from, or the death of, a member or members of the family of the producer. The term "member of the family of the producer" means (i) an ancestor of the producer, (ii) the spouse of the producer, (iii) a lineal descendant of the producer, or the producer's spouse, or a parent of the producer, or (iv) the spouse of any such lineal descendant.

[(E) Application for payment shall be made by producers through the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act].

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[(M) A contract entered into under this paragraph by a producer who by reason of death cannot perform or assign such contract may be performed or assigned, in accordance with subparagraph (L), by the estate of such producer.

[(N) If the provisions for reductions in the price received for milk marketed for commercial use as provided for in paragraph (2) are held to be invalid by any court, or the Secretary is restrained or enjoined by any court from implementing such provisions, the Secretary shall immediately suspend making any diversion payments under this paragraph for the period beginning with the date of such court action and shall resume making such payments only if such court action is overruled, stayed, or terminated.

[(O)]

[(4) Each producer who markets milk and each person required to make payment to the Corporation under this subsection shall keep such records and make such reports, in such manner, as the Secretary determines necessary to carry out this subsection. The Secretary may make such investigations as the Secretary deems necessary for the effective administration of this subsection or to determine whether any person subject to the provisions of this subsection has engaged or is en-

gaged or is about to engage in any act or practice that constitutes or will constitute a violation of any provision of this subsection or regulation issued under this subsection. For the purpose of such investigation, the Secretary may administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any records that are relevant to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States. In case of contumacy by, or refusal to obey a subpena to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of records. Such court may issue an order requiring such person to appear before the Secretary to produce records or to give testimony on the matter under investigation. Any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district of which such person is an inhabitant or wherever such person may be found.

[(5)(A) The district courts of the United States are vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating, any provisions of this subsection or any regulation issued under this subsection. Any such civil action authorized to be brought under this subsection shall be referred to the Attorney General for appropriate action. The Secretary is not required, however, to refer to the Attorney General minor violations of this subsection whenever the Secretary believes that the administration and enforcement of this subsection would be adequately served by suitable written notice or warning to any person committing such violation.

[(B)(i) Each person as to whom there is a failure to make a reduction in the price of milk received by such person as required by paragraph (2) or who fails to remit to the Corporation the funds required to be collected and remitted by paragraph (2)(B) shall be liable, in addition to any amount due, to a marketing penalty at a rate equal to the support price for milk in effect at the time the failure occurs on the quantity of milk as to which the failure applies. The Secretary may reduce any such marketing penalty in such amount as the Secretary determines equitable in any case in which the Secretary determines that the failure was unintentional or without knowledge on the part of the person concerned. Each person who knowingly violates any other provision of this subsection, or any regulation issued under this subsection, shall be liable for a civil penalty of not more than $1,000 for each such violation. Any penalty provided for under this subparagraph shall be assessed by the Secretary after notice and opportunity for a hearing.

[(ii) Each person who buys, from a producer with respect to whom there is in effect at the time of such sale a contract entered into under paragraph (3), one or more dairy cattle sold for slaughter or export, who knows that such cattle are sold for

slaughter or export, and who fails to cause the slaughter or export of such cattle within a reasonable time after receiving such cattle shall be liable for a civil penalty of not more than $5,000 with respect to each of such cattle.

[(iii) Each person who retains or acquires an interest in dairy cattle or the production of milk in violation of a contract entered into under this paragraph shall be liable, in addition to any amount due under paragraph (3)(A)(iv), to a marketing penalty on the quantity of milk produced during the period in which such ownership is prohibited under the contract. Such penalty shall be computed at the rate or rates of the support price for milk in effect during the period in which the milk production occurred.

[(iv) Each person who makes a false statement in a bid submitted under paragraph (3) as to (I) the marketings of milk for commercial use by the producer, or (II) the size or composition of the dairy herd that produced such marketings, or (III) the size or composition of the dairy herd at the time the bid is submitted shall be subject, in addition to any amount due under paragraph (3)(A)(iv) or clause (iii) of this subparagraph, to a civil penalty of $5,000 for each head of cattle to which such statement applied.

[(v) Each person who makes a false statement as to the number of dairy cattle that was sold for slaughter or export under a contract under paragraph (3)(A) shall be subject, in addition to any amount due under paragraph (3)(A)(iv) or clause (iii) of this subparagraph, to a civil penalty of not more than $5,000 for each head of cattle to which such statement applied.

[(C) Any person against hom a penalty is assessed under subparagraph (B) may obtain review of such penalty in an appropriate district court of the United States by filing a civil action in such court not later than thirty days after such penalty is imposed. The Secretary shall promptly file in such court a certified copy of the record upon which the penalty is based. The findings of the Secretary may be set aside only if found to be unsupported by substantial evidence.

[(D) The district courts of the United States shall have jurisdiction to review and enforce any penalty imposed under subparagraph (B).

[(E) The remedies provided in this paragraph shall be in addition to, and not exclusive of, other remedies that may be available.

[(F) In carrying out his subsection, the Secretary may, as the Secretary deems appropriate—

[(i) use the services of State and county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act [(16 U.S.C. 590h(b))]; and

[(ii) enter into agreements to use, on a reimbursable or nonreimbursable basis, the services of administrators of Federal milk marketing orders and State milk marketing programs.

[(6) The term "United States" as used in paragraphs (2) and (3) of this subsection means the forty-eight contiguous States in the continental United States.

[(7) The Secretary shall carry out this subsection through the Commodity Credit Corporation.]

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[i] (1)(A) The Secretary shall support the price of soybeans through loans and purchases in each of the 1986 through 1990 marketing years as provided in this subsection.

[(B) The support price for the 1986 and 1987 crops of soybeans shall be $5.02 per bushel.

[(C) The support price for each of the 1988 through 1990 crops of soybeans shall be established at a level equal to 75 percent of the simple average price received by producers for soybeans in the preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the level of price support may not be reduced by more than 5 percent in any year and in no event below $4.50 per bushel.

[(2) If the Secretary determines that the level of loans or purchases computed for a marketing year under paragraph (1) would discourage the exportation of soybeans and cause excessive stocks of soybeans in the United States, the Secretary may reduce the level of loans and purchases for soybeans for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for soybeans, except that the level of loans and purchases may not be reduced by more than 5 percent in any year and in no event below $4.05 per bushel. Any reduction in the loan and purchase level for soybeans under this paragraph shall not be considered in determining the loan and purchase level for soybeans for subsequent years.

[(3)(A) If the Secretary determines that such action will assist in maintaining the competitive relationship of soybeans in domestic and export markets after taking into consideration the cost of producing soybeans, supply and demand conditions, and world prices for soybeans, the Secretary may permit a producer to repay a loan made under this subsection for a crop at a level that is the lesser of—

[(i) the loan level determined for such crop; or

[(ii) the prevailing world market price for soybeans, as determined by the Secretary.

[(B) If the Secretary makes the determination described in subparagraph (A), the Secretary shall prescribe by regulation—

[(i) a formula to define the prevailing world market price for soybeans; and

[(ii) a mechanism by which the Secretary shall periodically announce the prevailing world market price for soybeans.

[(4) For purposes of this subsection, the soybean marketing year is the 12-month period beginning on September 1 and ending on August 31.

[(5)(A) The Secretary shall make a preliminary announcement of the level of price support for soybeans for a marketing year not earlier than 30 days before the beginning of the marketing year.

The announced level shall be based on the latest information and statistics available at the time of the announcement.

[(B) The Secretary shall make a final announcement of such level as soon as complete information and statistics are available on prices for the 5 years preceding the beginning of the marketing year. Such final level of support may not be announced later than October 1 of the marketing year with respect to which the announcement is made. The final level of support may not be less than the level of support provided for in the preliminary announcement.

[(6) Notwithstanding any other provision of law—

[(A) the Secretary shall not require participation in any production adjustment program for soybeans or any other commodity as a condition of eligibility for price support for soybeans;

[(B) the Secretary shall not permit the planting of soybeans for harvest on reduced acreage or acreage set aside or diverted from production under any other Federal Government program;

[(C) the Secretary may not authorize payments to producers to cover the cost of storing soybeans; and

[(D) soybeans may not be considered an eligible commodity for any reserve program.

[(j)(1) The price of each of the 1986 through 1990 crops of sugar beets and sugarcane, respectively, shall be supported in accordance with this subsection.

[(2) The Secretary shall support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate but not less than 18 cents per pound for raw cane sugar, except that such level may be increased under parargraph (4).

[(3) The Secretary shall support the price of domestically grown sugar beets through nonrecourse loans at such level as the Secretary determines is fair and reasonable in relation to the loan level for sugarcane.

[(4)(A) The Secretary may increase the support price for each of the 1986 through 1990 crops of domestically grown sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 crop years immediately preceding the crop year for which the determination is made) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may advesely affect domestic sugar production.

[(B) If the Secretary makes a determination not to increase the support price under subparagraph (A), the Secretary shall submit a report containing the findings, decision, and supporting data for such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(5) The Secretary shall announce the loan rate to be applicable during any fiscal year under this subsection as far in advance of the beginning of that fiscal year as is practicable consistent with the purposes of this subsection.

[(6) Loans under this subsection during any fiscal year shall be made available not earlier than the beginning of such fiscal year and shall mature before the end of such fiscal year.

[(7) Notwithstanding any other provision of this section, in the case of each of the 1988 and 1989 crops of sugar beets and sugarcane, the Secretary shall reduce outlays under the program provided for under this subsection by an amount equal to 1.4 percent of the amount of outlays that would otherwise be incurred in the absence of the reduction required by this paragraph.

[(k)(1) If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage on the farm intended for peanuts, soybeans, sugar beets, or sugarcane to peanuts, soybeans, sugar beets, sugarcane, or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary may make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

[(A) the number of acres so affected by not to exceed the acreage planted to peanuts, soybeans, sugar beets, or sugarcane for harvest (including any acreage that the producers were prevented from planting to such commodity or to other nonconserving crops in lieu of peanuts, soybeans, sugar beets, or sugarcane because of drought, flood or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by

[(B) 75 percent of the farm program payment yield established by the Secretary, by

[(C) a payment rate equal to 50 percent of the loan and purchase level for the crop.

[(2) If the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of peanuts, soybeans, sugar beets, or sugarcane that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary may make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the loan and purchase level for the crop for the deficiency in production below 60 percent for the crop.

[(3) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

[(l)(1) The Secretary may support the price of sunflower seeds through loans and purchases for each of the 1987 through 1990 crops of sunflowers at such level as the Secretary determines will take into account the historical price relationship between sunflower seeds and soybeans, the prevailing loan level for soybeans, and the historical oil content of sunflowers seeds and soybeans, except that the level of loans and purchases may not be less than 8½ cents per pound of sunflower seeds.

[(2)(A) The Secretary may permit a producer to repay a loan made under paragraph (1) for a crop at a level that is the lesser of—

[(i) the loan level determined for such crop; or

[(ii) the prevailing world market price for sunflower seeds, as determined by the Secretary.

[(B) If the Secretary permits a producer to repay a loan in accordance with subparagraph (A), the Secretary shall prescribe by regulation—

[(i) a formula to define the prevailing world market price for sunflower seeds; and

[(ii) a mechanism by which the Secretary shall announce periodically the prevailing world market price for sunflower seeds.

[(3)(A) The Secretary may, for each of the 1987 through 1990 crops of sunflowers, make payments available to producers who, although eligible to obtain a loan or purchase agreement under paragraph (1), agree to forgo obtaining such loan or agreement in return for such payments.

[(B) A payment under this paragraph shall be computed by multiplying—

[(i) the loan payment rate; by

[(ii) the quantity of sunflower seeds the producer is eligible to place under loan.

[(C) For purposes of this paragraph, the loan payment rate shall not be less than the amount by which the loan level determined for such crop under paragraph (1) exceeds the level at which a loan may be repaid under this subsection.

[(D) At the option of the Secretary, payments to a producer under this paragraph shall be made in the form of cash or negotiable certificates redeemable for any agricultural commodity owned by the Commodity Credit Corporation, or any combination thereof.

[(4) For purposes of this subsection, the marketing year for sunflower seeds shall be prescribed by the Secretary by regulation.

[(5)(A) If price support is to be provided under this subsection for a crop of sunflowers, the Secretary shall make a preliminary announcement of the level of price support for sunflower seeds for the marketing year for such crop not earlier than 30 days before the beginning of the marketing year. The announced level shall be based on the latest information and statistics available at the time of the anouncement.

[(B) The Secretary shall make a final announcement of such level as soon as complete information and statistics are available on prices for the 5 years preceding the beginning of the marketing year. Such final level of support may not be announced later than 30 days after the beginning of the marketing year with respect to which the announcement is made. The final level of support may not be less than the level of support provided for in the preliminary announcement.

[(6) Notwithstanding any other provision of law, the Secretary shall not require participation in any production adjustment program for sunflowers or any other commodity as a condition of eligibility for price support for sunflower seeds.]

[TRANSFER OF DAIRY PRODUCTS TO MILITARY AND VETERANS HOSPITALS]

SEC. 202. As a means of increasing the utilization of dairy products, (including for purposes of this section, milk) upon the certification by the Administrator of Veterans' Affairs or by the Secretary of the Army, acting for the military departments under the Department of Defense's Single Service Purchase Assignment for Subsistence, or their duly authorized repesentatives that the usual quantities of dairy products have been purchased in the normal channels of trade—

(a) The Commodity Credit Corporation until December 31, [1990] *1995,* shall make available to the Administrator of Veterans' Affairs at warehouses where dairy products are stored, such dairy products acquired under price-support programs as the Administrator certifies that he requires in order to provide butter and cheese and other dairy products as a part of the ration in hospitals under his jurisdiction. The Administrator shall report every six months to the Committees on Agriculture of the Senate and House of Representatives and the Secretary of Agriculture the amount of dairy products used under this subsection.

(b) The Commodity Credit Corporation until December 31, [1990] *1995,* shall make available to the Secretary of the Army, at warehouses where dairy products are stored, such dairy products acquired under price-support programs as the Secretary of the Army or his duly authorized representative certifies can be utilized in order to provide additional butter and cheese and other dairy products as a part of the ration (1) of the Army, Navy, Air Force, or Coast Guard, (2) in hospitals under the jurisdiction of the Department of Defense, and (3) of cadets and midshipmen at, and other personnel assigned to, the United States Merchant Marine Academy. The Secretary of the Army shall report every six months to the Committees on Agriculture of the Senate and the House of Representatives and the Secretary of Agriculture the amount of dairy products used under this subsection.

(c) Dairy products made available under this section shall be made available without charge, except that the Secretary of the Army or the Administrator of Veterans' Affairs shall pay the Commodity Credit Corporation the costs of packaging incurred in making such products so available.

(d) The obligation of the Commodity Credit Corporation to make dairy products available pursuant to the above shall be limited to dairy products acquired by the Corporation through price-support operations and not disposed of under provisions (1) and (2) of section 416 of this Act, as amended.

PRICE SUPPORT LEVELS FOR COTTONSEED AND SOYBEANS

SEC. 203. Whenever the price of either cottonseed or soybeans is supported under this Act, the price of the other shall be supported at such level as the Secretary determines will cause them to compete on equal terms on the market.

SEC. 204. MILK PRICE SUPPORT AND MILK MARKETING ADJUSTMENT PROGRAM FOR CALENDAR YEARS 1991 THROUGH 1995.

Notwithstanding any other provision of law:

(a) IN GENERAL.—During the period beginning on January 1, 1991, and ending on December 31, 1995, the price of milk shall be supported as provided in this section.

(b) RATE.—During the period beginning on January 1, 1991, and ending on December 31, 1995, the price of milk shall be supported at a rate not less than $10.10 per hundredweight for milk containing 3.67 percent milkfat.

(c) PURCHASES.—

(1) IN GENERAL.—The price of milk shall be supported through the purchase of milk and the products of milk.

(2) BUTTER AND NONFAT DRY MILK.—

(A) MAXIMUM PURCHASE PRICE FOR BUTTER.—Except as provided in subparagraph (B), in carrying out this section, the Secretary shall offer to purchase butter for not more than an amount per pound of $0.983 in calendar year 1991, $0.815 in calendar years 1992 and 1993, and $0.788 in calendar years 1994 and 1995.

(B) ALTERNATIVE ALLOCATION.—The Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner other than that resulting from subparagraph (A) if the Secretary determines the allocation will result in the lowest level of expenditures by the Commodity Credit Corporation or achieve such other objectives as the Secretary considers appropriate. The Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate of the determination.

(C) TIMING.—The Secretary may make any such adjustments in the purchase prices for nonfat dry milk and butter the Secretary considers to be necessary not more than twice in each calendar year.

(d) ADJUSTMENT OF PRICE SUPPORT RATE.—

(1) REDUCTION.—Effective January 1 of each of the calendar years 1991 through 1995, the rate of price support for milk as in effect on that date shall be reduced by the Secretary by an amount per hundredweight of at least $0.25 but not more than $0.50 (but not below $10.10 per hundredweight) if the Secretary estimates on November 1 of the previous calendar year that the level of purchases of milk and the products of milk by the Commodity Credit Corporation under this section (Less sales under section 407 for unrestricted use) during the 12-month period commencing on January 1 of the calendar year will exceed 5,000,000,000 pounds, milk equivalent, total milk solids basis, as provided in this subsection.

(2) INCREASE.—Effective January 1 of each of the calendar year 1991 through 1995, the rate of price support of milk as in effect on that date shall be increased by the Secretary by an amount per hundredweight of at least $0.25 if the Secretary estimates on November 1 of the previous calendar year that the level of purchases of milk and the products of milk by the Commodity Credit Corporation under this section (less sales under section 407 for unrestricted use) during the 12-month period commencing on January 1 of the calendar year will not exceed

3,500,000,000 pounds, milk equivalent, total milk solids basis, as provided in this subsection.

(3) NO ADJUSTMENTS.—If for any of the calendar year 1991 through 1995, the Secretary does not make any adjustment in the support price of milk as provided for in paragraph (1), or (2), the rate of price support for milk for the year shall be the rate as in effect on January 1 of such year.

(4) NOTIFICATION OF CONGRESS.—The Secretary shall, on November 1 of each of the calendar years 1991 through 1995, notify the Committee of Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate of any proposed reduction or increase during the subsequent calendar year in the rate of price support for milk under paragraph (1) or (2).

(5) ADMINISTRATION.—

(A) MILK EQUIVALENT, TOTAL MILK SOLIDS BASIS.—

(i) IN GENERAL.—As used in this section, the term "milk equivalent, total milk solids basis", of milk and the products of milk shall be equal to the weighted average of—

(I) the milk equivalent of the products, as computed on a milk fat basis; and

(II) the milk equivalent of the products, as computed on a milk solids no fat basis.

(ii) WEIGHTING FACTORS.—The weighting factors for the calculation in clause (ii) shall reflect the proportions of such components found in milk, but equal to not more than 40 percent for the milk equivalent, as computed on a milk fat basis, and not more than 70 percent for the milk equivalent, as computed on a milk solids not fat basis. The weighting factors shall total 100 percent.

(B) LEVEL OF PURCHASES.—In estimating the level of purchases of milk and the products of milk under this section, the Secretary shall deduct the quantity, if any, by which the level of imports into the United States of milk and the products of milk during the most recent calendar year exceeds the annual average level of imports into the United States of milk and the products of milk during the period January 1, 1986, through December 31, 1990, milk equivalent, total milk solids basis.

(e) REPORT OF MILK MARKETING ADJUSTMENT PROGRAM.—

(1) IN GENERAL.—Not later than July 1, 1991, the Secretary shall prepare a report and recommendations on milk marketing adjustment programs that would be implemented under subsection (f)(1) in the event purchases of milk and milk products, total milk solids basis, exceed 7,000,000,000 pounds in a calendar year.

(2) SOLICITATION OF PROPOSALS.—Within 90 days after the date of enactment of this section, the Secretary shall publish in the Federal Register a notice to solicit proposals concerning a milk marketing adjustment program.

(3) EVALUATION OF PROPOSALS.—Within 180 days after the publication of the notice, the Secretary shall evaluate the pro-

posals received and make a preliminary determination concerning a milk marketing adjustment program.

(4) CRITERIA FOR EVALUATION.—The Secretary shall evaluate the proposals received for milk marketing adjustment program based on—

(A) the speed and effectiveness of reducing excess milk production;

(B) the effectiveness in sustaining reduced milk production for at least a 5-year period with and without the continuation of the program;

(C) the regional impact on milk prices, producer revenue, and milk supplies;

(D) the impact on national producer income and Government expenditures;

(E) the impact on the rural economy and maintaining family farms;

(F) the impact on the availability of wholesome dairy products for domestic and foreign nutrition and food assistance programs;

(G) technological innovations;

(H) the effectiveness in reducing butter fat production and increasing protein content in milk;

(I) the impact of temporary increases and decreases of milk production;

(J) the impact on the United States livestock industry; and

(K) all other issues the Secretary considers appropriate.

(5) NOTICE AND COMMENT.—The Secretary shall provide for public notice and comment on the recommended milk marketing adjustment program and shall take the comments into consideration in preparing a milk marketing adjustment program.

(6) REPORT.—

(A) INITIAL REPORT.—The Secretary shall provide the report required by this subsection and other recommendations to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate no later than July 1, 1991.

(B) SUBSEQUENT REPORTS.—No later than July 1 of each year following the initial report under this paragraph, the Secretary shall update the report (with notice and public comment) and make recommendations to Congress regarding alternative milk marketing adjustment proposals for the upcoming year.

(f) IMPLEMENTATION OF MILK MARKETING ADJUSTMENT PROGRAM.—

(1) IN GENERAL.—If, on November 1 of each of the calendar years 1991 through 1994, the Secretary estimates that the level of Commmodity Credit Corporation purchases of milk and the products of milk for the following calendar year will exceed 7,000,000,000 pounds, milk equivalent, total milk solids basis, as provided in this Act, the Secretary shall establish a milk marketing adjustment program for the purpose of controlling the level of the purchases of milk and milk products by the

Commodity Credit Corporation during the following calendar year.

(2) NOTIFICATION OF CONGRESS CONCERNING PROPOSED ACTION.—No later than July 1 of each of the years 1991 through 1994, the Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate of what action the Secretary determines will be taken with regard to a milk marketing adjustment program in the event the Secretary estimates that Corporation purchases of milk and milk products will exceed 7,000,000,000 pounds.

(3) IMPLEMENTATION.—If the Secretary estimates that Corporation purchases of milk and milk products will exceed 7,000,000,000 pounds during a calendar year, the Secretary shall implement the milk marketing adjustment program established in paragraph (1) no later than January 1 of the calendar year, unless a law is enacted disapproving or modifying the program.

(4) NOTIFICATION OF CONGRESS CONCERNING ESTIMATED PURCHASES.—On November 1 of each calendar year 1991 through 1994, the Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate whether the Secretary estimates that the Corporation purchases of milk and the products of milk will exceed 7,000,0000,000 pounds during the upcoming calendar year.

(5) PROHIBITION ON MILK PRODUCTION TERMINATION PROGRAM.—Notwithstanding any other provision of law, if the Secretary is required under this subsection to implement a milk marketing adjustment program, the Secretary shall not offer to enter into a contract with any producer of milk in the United States for the purpose of selling for slaughter or export any dairy cattle in which the producer owns an interest.

SEC. 205. LOANS AND PAYMENTS FOR OILSEEDS FOR 1991 THROUGH 1995 MARKETING YEARS.

(a) DEFINITION OF OILSEEDS.—As used in this section, the term "oilseeds" means soybeans, sunflower seeds, canola, rapeseed, safflower, flaxseed, and such other oilseeds as the Secretary may determine.

(b) NONRECOURSE LOANS.—The Secretary shall support the price of oilseeds through nonrecourse loans for oilseeds produced on the farm in each of the 1991 through 1995 marketing years as provided in this section.

(c) LOAN LEVELS.—

(1) SOYBEANS.—The loan level for each of the 1991 through 1995 crops of soybeans shall be $5.50 per bushel.

(2) SUNFLOWER SEEDS, CANOLA, RAPESEED, SAFFLOWER, AND FLAXSEED.—The loan level for each of the 1991 through 1995 crops of sunflower seed, canola, rapeseed, safflower, and flaxseed shall be $0.097 per pound.

(3) OTHER OILSEEDS.—The loan level for each of the 1991 through 1995 crops of oilseeds, other than oilseeds referred to in paragraph (1) or (2), shall be established at such level as the

Secretary determines will take into account the historical price relationship between each type of oilseeds and soybeans, the prevailing loan level for soybeans, and the historical meal oil content of each type of oilseeds and soybeans.

(4) ADJUSTMENT.—Notwithstanding paragraph (1), if the Secretary estimates, not later than September 30 of the year previous to the year in which the crop of soybeans is harvested that the stocks-to-use ratio for any of the 1991 through 1995 crops of soybeans will be—

(A) over 20 percent, the Secretary may establish the loan level for the crop at $5.25 per bushel; or

(B) over 25 percent, the Secretary may establish the loan level for the crop at $5.00 per bushel.

(5) ADJUSTMENT IN LEVEL FOR OTHER OILSEEDS.—If the Secretary adjusts the loan level for a crop of soybeans under paragraph (4), the Secretary shall make a corresponding adjustment in the loan level for sunflower seeds, canola, rapeseed, safflower, flaxseed, and any other oilseed designated by the Secretary under subsection (a).

(6) EFFECT ON FUTURE YEARS.—Any reduction in the loan level determined under paragraph (4) shall not be considered in determining the loan level for subsequent years.

(d) REPAYMENT.—

(1) IN GENERAL.—The Secretary shall permit a producer of oilseeds to repay a loan made under this section for a crop at a level that is the lesser of—

(A) the loan level determined for the crop; or

(B) the prevailing world market price for the applicable oilseed (adjusted for location and quality differentials), as determined by the Secretary.

(2) PREVAILING WORLD MARKET PRICE.—The Secretary shall prescribe by regulation—

(A) a formula for determining the prevailing world market price for oilseeds; and

(B) a mechanism by which the Secretary shall periodically announce the prevailing world market price for oilseeds.

(e) LOAN DEFICIENCY PAYMENT.—

(1) IN GENERAL.—The Secretary may, for each of the 1991 through 1995 crops of oilseeds, make payments available to producers who, although eligible to obtain a loan under subsection (b), agree to forgo obtaining the loan in return for payments under this subsection.

(2) COMPUTATION.—A payment under this subsection shall be computed by multiplying—

(A) the loan payment rate; by

(B) the quantity of oilseeds the producer is eligible to place under loan but forgoes obtaining the loan in return for payments under this subsection.

(3) LOAN PAYMENT RATE.—For purposes of this subsection, the loan payment rate shall be the amount by which—

(A) the loan level determined for the crop under subsection (c); exceeds

(B) the level at which a loan may be repaid under subsection (b).

(f) MARKETING YEAR.—

(1) SOYBEANS.—For purposes of this section, the marketing year for soybeans shall be the 12-month period beginning on September 1 and ending on August 31.

(2) OTHER OILSEEDS.—For purposes of this section, the marketing year for each type of oilseeds, other than soybeans, shall be prescribed by the Secretary by regulation.

(g) ANNOUNCEMENTS.—

(1) PRELIMINARY ANNOUNCEMENT.—The Secretary shall make a preliminary announcement of the level of price support for each type of oilseeds for a marketing year not later than July 15 of the year prior to the marketing year for the crop. The announced level shall be based on the latest information an statistics available at the time of the announcement.

(2) FINAL ANNOUNCEMENT.—The Secretary shall make a final announcement of the level of price support not later than November 15 of the year prior to the marketing year for the crop of oilseeds.

(h) OTHER TERMS AND CONDITIONS.—Notwithstanding any other provision of law—

(1) the Secretary shall not require participation in any production adjustment program for oilseeds or any other commodity as a condition of eligibility for price support for oilseeds;

(2) except as otherwise provided in this Act, the Secretary shall not permit the planting of soybeans for harvest on acreage required to be devoted to conservation uses or diverted from production under any other Federal Government program;

(3) the Secretary may not authorize payments to producers to cover the cost of storing soybeans; and

(4) soybeans may not be considered an eligible commodity for any reserve program.

(i) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of oilseeds.

SEC. 206. SUGAR PRICE SUPPORT FOR 1991 THROUGH 1995 CROPS.

(a) IN GENERAL.—The price for each of the 1991 through 1995 crops of sugar beets and sugarcane, respectively, shall be supported in accordance with this section.

(b) SUGARCANE.—The Secretary shall support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate, but not less than 18 cents per pound for raw cane sugar, except that the level may be increased under subsection (d).

(c) SUGAR BEETS.—The Secretary shall support the price of domestically grown sugar beets through nonrecourse loans at such level as the Secretary determines is fair and reasonable in relation to the loan level for sugarcane.

(d) INCREASE IN SUPPORT PRICE.—

(1) IN GENERAL.—The Secretary may increase the support price for each of the 1991 through 1995 crops of domestically grown sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 crop years

immediately preceding the crop year for which the determination is made) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production.

(2) REPORT.—If the Secretary makes a determination not to increase the support price under subparagraph (A), the Secretary shall submit a report containing the findings, decision, and supporting data for the determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(e) ANNOUNCEMENTS.—The Secretary shall announce the loan rate to be applicable during any fiscal year under this section as far in advance of the beginning of that fiscal year as is practicable consistent with the purposes of this section.

(f) TERM.—Loans under this section during any fiscal year shall be made available not earlier than the beginning of the fiscal year and shall mature at the earlier of—

(1) the end of 9 months; or

(2) the end of the fiscal year.

(g) SUPPLEMENTARY NONRECOURSE LOANS.—In the case of sugar beet producing areas in which sugar beets normally are harvested during the last 3 months of a fiscal year, the Secretary shall make available, to each borrower of a loan made and repaid under this section during the last 3 months of the fiscal year on sugar processed from sugar beets so harvested, a supplementary nonrecourse loan in addition to the initial loan. In each case, the supplementary loan shall—

(1) be made available to the borrower as of the first day of the following fiscal year.

(2) be made at the same loan rate as the initial loan; and

(3) mature in 9 months less the amount of time that the initial loan was in effect.

(h) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of sugar beets and sugarcane.

SEC. 207. DISASTER PAYMENTS FOR 1991 THROUGH 1995 CROPS OF PEANUTS, SOYBEANS, SUGAR BEETS, AND SUGARCANE.

(a) PREVENTED PLANTING.—If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage on the farm intended for peanuts, soybeans, sugar beets, or sugarcane to peanuts, soybeans, sugar beets, sugarcane, or other nonserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary may make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

(1) the number of acres so affected but not to exceed the acreage planted to peanuts, soybeans, sugar beets, or sugarcane for harvest (including any acreage that the producers were prevented from planting to the commodity or to other nonconserving crops in lieu of peanuts, soybeans, sugar beets, or sugarcane because of drought, flood or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year; by

(2) 75 percent of the farm program payment yield established by the Secretary; by

(3) a payment rate equal to 50 percent of the loan and purchase level for the crop.

(b) REDUCED YIELDS.—If the Secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of peanuts, soybeans, sugar beets, or sugarcane that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for the crop by the acreage planted for harvest for the crop, the Secretary may make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the loan and purchase level for the crop for the deficiency in production below 60 percent for the crop.

(c) ADJUSTMENTS.—The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of the payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved.

(d) CROPS.—Notwithstanding any other provision of law, ths section shall be effective only for the 1991 through 1995 crops of peanuts, soybeans, sugar beets, or sugarcane.

SEC. 208. HONEY PRICE SUPPORT FOR 1991 THROUGH 1995 CROPS.

(a) LOANS, PURCHASES, AND OTHER OPERATIONS.—For each of the 1991 through 1995 crops of honey, the price of honey shall be supported through loans, purchases, or other operations at not less than 56.86 cents per pound, as determined by the Secretary.

(b) REPAYMENT.—The Secretary may permit a producer to repay a loan made to the producer under this section for a crop at a level that is the lesser of—

(1) the loan level determined for the crop; and

(2) the level as the Secretary determines will—

(A) minimize the number of loan forfeitures;

(B) not result in excessive total stocks of honey;

(C) reduce the costs incurred by the Federal Government in storing honey; and

(D) maintain the competitiveness of honey in domestic and export markets.

(c) PLEDGING ADULTERATED OR IMPORTED HONEY AS COLLATERAL.—

(1) IN GENERAL.—If the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a loan made under this section, the person shall, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment under this section for the 3 crop years succeeding the determination.

(2) ADULTERATED HONEY.—For purposes of paragraph (1), honey shall be considered adulterated if—

(A) any substance has been substituted wholly or in part for the honey;

(B) the honey contains a poisonous or deleterious substance that may render the honey injurious to health,

except that in any case in which the substance is not added to the honey, the honey shall not be considered adulterated if the quantity of the substance in or on the honey does not ordinarily render it injurious to health; or

(C) the honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption.

(d) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of honey.

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TITLE IV—MISCELLANEOUS

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[ADJUSTMENT OF SUPPORT PRICES]

[SEC. 403. Appropriate adjustments may be made in the support price for any commodity for differences in grade, type, staple, quality, location, and other factors. Such adjustments shall, so far as practicable, be made in such manner that the average support price for such commodity will, on the basis of the anticipated incidence of such factors, be equal to the level of support determined as provided in this Act. Beginning with the 1959 crop, in adjusting the support price for cotton on the basis of grade, the Secretary shall establish separate price support rates for split grades and for full grades substantially reflecting relative values. In determining support prices for the 1966 and 1967 crops of rice the Secretary shall, notwithstanding the foregoing or any other provision of law, use head and broken rice value factors for the various varieties which (1) are not lower than those used with respect to the 1965 crop, and (2) do not differ as between any two varieties by a greater amount than the value factors used with respect to the 1965 crop for such two varieties differed. Beginning with the 1982 crop, the quality differences (premiums and discounts for grade, staple, and micronaire) for the upland cotton loan program shall be established by the Secretary by giving equal weight to (1) loan differences for the preceding crop and (2) the market differences for such crop in the nine designated United States spot markets. The Secretary shall establish a study committee of ten members, eight of whom shall be representatives of cotton producers selected to equally represent each of the four major geographic regions which produce and market upland cotton, one of whom shall be a representative of cotton merchants, and one of whom shall be a representative of the textile manufacturers. The committee shall study alternative methods of establishing values of premiums and discounts for grade, staple, and micronaire for the upland cotton loan program that will accurately represent true relative market values and reflect actual market demand for upland cotton produced in the United States. The committee shall submit the results of such study to the Secretary at the earliest practicable date together with such recommendations as the committee considers appropriate. The Secretary may, prior to the announcement of loan rate differences for the 1982 crop of upland cotton, review the procedures and criteria, including the recommendations made by the study com-

mittee and the formula provided in the fifth sentence of this section for determining quality differences, including the loan differentials for grade, staple, and micronaire for the upland cotton loan program and, on the basis of such review, revise such procedures and criteria to accurately reflect the actual market value of upland cotton produced in the United States. Notwithstanding the preceding provisions of this section, for each of the 1988 through 1990 crops of wheat and feed grains, no adjustment in the loan rate applicable to a particular region, State, or county for the purpose of reflecting transportation differentials may increase or decrease such regional, State, or county loan rate from the level established for the previous year by more than the percentage change in the national average loan rate plus or minus 2 percent.]

SEC. 403. ADJUSTMENTS OF SUPPORT PRICES.

(a) IN GENERAL.—The Secretary may make appropriate adjustments in support price for any commodity (excluding cotton) for differences in grade, type, quality, location and other factors. The adjustments shall, so far as practicable, be made in such manner that the average support price for the commodity will, on the basis of the anticipated incidence of such factors be equal to the level of support determined as provided in this Act. Beginning with the 1991 crops of wheat, feed grain, and soybeans for which price support is provided under this Act, the Secretary shall establish premiums and discounts related to cleanliness factors in addition to any other premiums or discounts related to quality.

(b) ADJUSTMENTS IN SUPPORT PRICES FOR COTTON.—The Secretary may make appropriate adjustments in the support price for cotton for differences in quality factors and location. Beginning with the 1991 crop, the quality differences (premiums and discounts for quality factors) for the upland cotton loan program shall be established by the Secretary by giving equal weight to (1) loan differences for the preceding crop, and (2) market differences for such crop in the designated United States spot markets.

(c) LIMITATION ON ADJUSTMENTS FOR WHEAT AND FEED GRAINS.—Notwithstanding any other provision of this section, for each of the 1990 through 1995 crop of wheat and feed grains, no adjustment in the loan rate applicable to a particular region, State, or county for the purpose of reflecting transportation differentials may increase or decrease the regional, State, or county loan rate from the level established for the previous year by more than the percentage change in the national average loan rate plus or minus 2 percent.

[UTILIZATION OF SERVICES AND FACILITIES OF COMMODITY CREDIT CORPORATION]

SEC. 404. The Secretary, in carrying out programs under section 32 of Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended [(7 U.S.C. 612c)] and section 6 of the National School Lunch Act [(7 U.S.C. 1755)] may utilize the services and facilities of the Commodity Credit Corporation (including but not limited to procurement by contract), and make advance payments to it.

[PERSONAL LIABILITY OF PRODUCERS FOR DEFICIENCIES]

SEC. 405. (a) Except as otherwise provided in section 405A, no producers shall be personally liable for any deficiency arising from the sale of the collateral securing any loan made under authority of this Act unless such loan was obtained through fraudulent representations by the producer. This provison shall not, however, be construed to prevent the Commodity Credit Corporation or the Secretary from requiring producers to assume liability for deficiencies in the grade, quality, or quantity of commodities stored on the farm or delivered by them, for failure properly to care for and preserve commodities, or for failure or refusal to deliver commodities in accordance with the requirements of the program. There is authorized to be included in the terms and conditions of any such nonrecourse loan a provision whereby on and after the maturity of the loan or any extension thereof Commodity Credit Corporation shall have the right to acquire title to the unredeemed collateral without obligation to pay for any market value which such collateral may have in excess of the loan indebtedness.

(b)(1) Notwithstanding any other provision of law, the Secretary may provide a negotiable certificate to any producer who repays, together with interest, a price support loan made available to such producer under any of the annual programs, for *the 1991 through 1995 crops of* wheat, feed grains, upland cotton, or rice established under this Act.

(2) The amount of such certificates shall be equal to the amount of the interest paid by the producer of such loan.

(3) Such certificate shall be redeemable in wheat, feed grains, upland cotton, or rice, as the case may be, owned by the Commodity Credit Corporation.

(4) The issuance of credit certificates shall be subject to the availability of commodities owned by the Corporation.

LOAN FORFEITURE LIMITATION

SEC. 405A. (a) A producer of honey may satisfy the producer's obligation to repay a loan, or a portion of a loan, made to the producer under section [201(b)] *208* of this Act by forfeiting the collateral for the loan, or portion of the loan, only if the value of the collateral forfeited, when taken together with the value of the collateral forfeited on any other loan or loans of the producer for such a crop of honey under section [201(b)] *208*, does not exceed $250,000: *Provided, however,* That the loan forfeiture limitation provided by this section shall not be applicable for any crop year for which the Secretary does not permit producers of honey to repay the price support loans at a level determined under section 201(b)(2)(B).

(b) The producer of honey shall be personally liable for the repayment of a loan or loans made to the producer under the program for the crop of honey involved, with respect to that portion of the loan or loans for which satisfaction of the loan by forfeiture, as provided in subsection (a), is prohibited.

(c) The loan contracts of the Commodity Credit Corporation entered into with producers of honey shall clearly indicate the extent to which a producer of honey may be personally liable for repayment of a loan under this section.

(d) The Commodity Credit Corporation may issue such regulations as the Corporation deems necessary to carry out this section.

[ADVANCE ANNOUNCEMENT OF PRICE SUPPORT LEVELS; REDUCTION OF LEVELS]

SEC. 406. (a) The Secretary shall, insofar as practicable, announce the level of price support for field crops in advance of the planting season and for other agricultural commodities in advance of the beginning of the marketing year or season (January 1 in the case of commodities not marketed on a marketing year or season basis), but the level of price support so announced shall not exceed the estimated maximum level of price support specified in this Act, based upon the latest information and statistics available to the Secretary when such level of price support is announced; and the level of price support so announced shall not be reduced if the maximum level of price support when determined, is less than the level so announced.

(b)(1) Notwithstanding any other provision of this Act, the Secretary of Agriculture may offer an option to producers of the [1987 through 1991] *1992 through 1996* crops of wheat, feed grains, upland cotton and rice with respect to participation in commodity price support, production adjustment, and payment programs as provided in this subsection.

(2) With respect to the [1987 through 1991] *1991 through 1996* crops of wheat, feed grains, upland cotton, and rice, in any county in the United States, if the Secretary has not made final announcement of the terms of the commodity price support production adjustment, and payment program for wheat, feed grains, upland cotton, or rice on or before the later of—

(A) 60 days prior to the normal planting date of such commodity in such county as determined by the Secretary; or

(B)(i) in the case of feed grains, June 1 of the calendar year prior to the crop year for which such program is announced;

(ii) in the case of feed grains, September 30 of the calendar year prior to the crop year for which such program is announced;

(iii) in the case of upland cotton, November 1 of the calendar year prior to the crop year for which such program is announced; and

(iv) in the case of rice, January 31 of the calendar year that is the same as the crop year for which such program is announced,

than the Secretary may permit producers of any such commodity in such county to elect to receive price support, payments, or other program benefits as provided in (I) the program announced for such commodity for the current crop year or (II) paragraph (3).

(3)(A)(i) The Secretary may permit producers eligible to make the election provided by this subsection to participate in the program described in this paragraph or, at the discretion of the Secretary, the program announced for the commodity for the current crop year, by complying with the terms of the program announced for the preceding crop of the commodity.

(B)(i) Except as provided in clause (ii), the Secretary may make available to producers of a commodity who exercise the election provided by this subsection and who comply fully with the terms and conditions of any acreage reduction program established for the preceding year's crop of the commodity—

(I) loans and purchases at the level established for the crop for which the election is made;

(II) deficiency payments calculated on the same basis as the deficiency payments which were calculated for the crop immediately preceding the crop with respect to which the election is made; and

(III) payments equal to the difference between the level of loans and purchases for the crop with respect to which the election is made and the level of loans and purchases for the crop immediately preceding the crop with respect to which the election is made.

Payments authorized by subclause (III) of the preceding sentence shall be made in the form of cash or in-kind commodities.

(ii) In the case of the [1991] *1996* crop, the Secretary shall make available to producers of a commodity who exercise the election provided by this section and who comply fully with the terms and conditions of any acreage reduction program established for the [1990] *1995* crop of the commodity—

(I) loans and purchases at the level established for the [1991] *1996* crop under legislation enacted subsequent to the date of the enactment of the [Food Security Act of 1985] *Food, Agriculture, Conservation, and Trade Act of 1990* December 23, 1985], except that if legislation is enacted subsequent to the enactment of such Act which provides that loans and purchases shall not be made with respect to the [1991] *1996* crop of a commodity, the Secretary may make available to producers of such commodity eligible for the election provided by this subsection loans and purchases at the level determined for the [1990] *1995* crop, or if legislation is not enacted subsequent to the enactment of such Act which provides that loans and purchases shall be made with respect to the [1991] *1996* crop of any such commodity, and if loans and purchases are available to producers of such commodity under laws previously enacted, none of the provisions of this section shall apply to the [1991] *1996* crop;

(II) deficiency payments calculated on the basis of the established price for the commodity determined for the [1990] *1995* crop and

(III) payments equal to the difference between the level of loans and purchases that the producer is eligible to receive under subclause (I) for such commodity for the [1991] *1996* crop and the level of loans and purchases determined for such commodity for the [1990] *1995* crop.

Payments authorized by subclause (III) of the preceding sentence shall be made in cash or in the form of in-kind commodities.

(C) The Secretary shall consider the crop acreage base and farm program payment yield for any farm with respect to which a producer exercises the election provided by this section to be equal to the crop acreage base and farm program payment yield that was

established, or would have been established, for such farm for the year preceding the year for which the election is made.

[RESTRICTIONS ON SALES BY COMMODITY CREDIT CORPORATION]

[SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided,* That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended [(7 U.S.C. 1342)]: *Provided further,* That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided,* That, notwithstanding any other provision of law, the Corporation may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less (A) 115 percent of the current national average loan rate for the commodity, adjusted for such current market differentials, reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of the commodity at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and

conditions as the Secretary may deem in the public interest, may make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under the Disaster Relief and Emergency Assistance Act [(42 U.S.C. 5121 et seq.)] and may donate or sell commodities in accordance with title VI. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use. For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. Notwithstanding any other provision of law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells upland cotton for export, in no event, however, at less than (A) 115 percent of the loan rate for Strict Low Middling one and one-sixteenth inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of cotton at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans, and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements

for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided,* That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended [(7 U.S.C. 1347(b))]. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of law, beginning upon the enactment of the Extra Long Staple Cotton Act of 1983 [August 26, 1983], the Commodity Credit Corporation may sell extra long staple cotton for unrestricted use at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.]

SEC. 407. COMMODITY CREDIT CORPORATION SALE PRICE RESTRICTIONS.

(a) IN GENERAL.—The Commodity Credit Corporation may sell any farm commodity owned or controlled by the Corporation at any price not prohibited by this section.

(b) INVENTORIES.—In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should consider the establishment of such policies with respect to prices, terms, and conditions as the Corporation determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop.

(c) SALES PRICE RESTRICTIONS.—

(1) IN GENERAL.—Except as otherwise provided in this section, the Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 115 percent of the lower of—

(A) the current national average price support loan rate for the commodity adjusted for the current market differentials reflecting grade, quality, location, and other factors determined appropriate by the Corporation; or

(B) the loan repayment level.

(2) EXTRA LONG STAPLE COTTON.—The Corporation may sell extra long staple cotton for unrestricted use at such price as the Corporation determines is appropriate to maintain and expand export and domestic markets.

(3) OILSEEDS.—The Corporation shall not sell oilseeds at less than the lower of—

(A) 105 percent of the current national average price support loan rate for the oilseed, adjusted for the current market differentials reflecting grade, quality, location, and other factors determined appropriate by the Corporation; or

(B) 115 percent of the loan repayment level.

(4) WHEAT AND FEED GRAINS.—Whenever the producer reserve program for wheat and feed grains established under section 110 is in effect, the Corporation may not sell any of its stocks of wheat or feed grains at a level that is less than 105 percent of the established price for wheat or feed grains.

(d) NONAPPLICATION OF SALES PRICE RESTRICTIONS.—The foregoing restrictions of this section shall not apply to—

(1) sales for new or byproduct uses;

(2) sales of peanuts and oilseeds for the extraction of oil;

(3) sales for seed or feed if the sales will not substantially impair any price support program;

(4) sales of commodities that have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage;

(5) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity;

(6) sales for export;

(7) sales of wool; and

(8) sales for other than primary uses.

(e) DISTRESS, DISASTER, AND LIVESTOCK EMERGENCY AREAS.—

(1) IN GENERAL.—Notwithstanding the foregoing provisions of this section, the Corporation, on such terms and conditions as the Secretary may consider in the public interest, may—

(A) make available any farm commodity or product thereof owned or controlled by the Corporation for use in relieving distress—

(i) in any area in the United States (including the Virgin Islands) declared by the President to be an acute distress area because of unemployment or other economic cause, if the President finds that the use will not displace or interfere with normal marketing of agricultural commodities; and

(ii) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under the Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); and

(B) donate or sell commodities in accordance with title VI.

(2) COSTS.—Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making the com-

modity available under this subsection beyond the cost of the commodities to the Corporation in—

(A) the storage of the commodity; and

(B) the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area.

(f) EFFICIENT OPERATIONS.—

IN GENERAL.—Subject to paragraph (2), the foregoing restrictions of this section shall not apply to sales to commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the operations of the Corporation because of the small quantities involved, or because of age, location or questionable continued storability of the commodity.

(2) OFFSETS.—The sales shall be offset (if necessary) by the purchases of commodities as the Corporation determines is appropriate to prevent the sales from substantially impairing any price support program or unduly affecting market prices, except that the purchase price shall not exceed the Corporation's minimum sales price for the commodities for unrestricted use.

(g) SALES FOR EXPORT.—For the purposes of this section, sales for export shall include—

(1) sales made on condition that the identical commodities sold be exported; and

(2) sales made on condition that commodities of the kind and of comparable value or quantity be exported, either in raw or processed form.

SEC. 407A. QUALITY REQUIREMENTS FOR COMMODITY CREDIT CORPORATION-OWNED GRAIN.

(a) ESTABLISHMENT OF MINIMUM STANDARDS.—Not withstanding any other provision of law, the Secretary shall establish minimum quality standards that shall apply to grain that is deposited for storage that shall apply to grain that is deposited for storage for the account of the Commodity Credit Corporation. In establishing such standards, the Secretary shall take into consideration factors related to the storability of grain and assurance of acceptable end-use performance.

(b) INSPECTION OF GRAIN ACQUISITIONS.—The Commodity Credit Corporation shall utilize Federal Grain Inspection Service approved procedures to inspect and evaluate the condition of the grain it acquires and owns.

[DEFINITIONS]

SEC. 408. For the purposes of this Act—

(a) A commodity shall be considered storable upon determination by the Secretary that, in normal trade practice, it is stored for substantial periods of time and that it can be stored under the price-support program without excessive loss through deterioration or spoilage or without excessive cost for storage for such periods as will permit its disposition without substantial impairment of the effectiveness of the price-support program.

(b) A "cooperator" with respect to any basic agricultural commodity shall be a producer on whose farm the acreage planted to the commodity does not exceed the farm acreage allotment for the

commodity under title III of the Agricultural Adjustment Act of 1938, as amended, [(7 U.S.C. 1301 et seq.)] or in the case of price support for corn or wheat to a producer outside the commercial corn-producing or wheat-producing area, a producer who complies with conditions of eligibility prescribed by the Secretary: *Provided,* That for upland cotton a cooperator shall be a producer on whose farm the acreage planted to such cotton does not exceed the cooperator percentage, which shall be in the case of the 1966 crop, 87.5 per centum of such farm acreage allotment and, in the case of each of the 1967 through 1970 crops, such percentage, not less than 87.5 or more than 100 per centum, of such farm acreage allotment as the Secretary may specify for such crop, except that in the case of small farms (i.e. farms on which the acreage allotment is 10 acres or less, or on which the projected farm yield times the acreage allotment is 3,600 pounds or less, and the acreage allotment has not been reduced under section 344(m)) the acreage of cotton on the farm shall not be require to be reduced below the farm acreage allotment: *And provided,* That for the 1971 through 1977 crops of upland cotton a cooperator shall be a producer on a farm on which a farm base acreage allotment has been established who has set aside the acreage required under section 103(e): *Provided further,* That for the 1976 through 1981 crops of rice, a cooperator shall be a person who produces rice on a farm for which a farm acreage allotment has bee established or to which a producer acreage allotment has been allocated and, if a set-aside is in effect, who has set aside any acreage required under section 101(g): *Provided further,* That for the 1978 through 1981 crops of upland cotton, a cooperator shall be a producer on a farm who has set aside the acreage required under section 103(f). For the purpose of this subsection, a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded such allotment.

(c) A "basic agricultural commodity" shall mean corn, cotton, peanuts, rice, tobacco, and wheat, respectively.

(d) A "nonbasic agricultural commodity" shall mean any agricultural commodity other than a basic agricultural commodity.

(e) The "supply percentage" as to any commodity shall be the percentage which the estimated total supply is of the normal supply as determined by the Secretary from the latest available statistics of the Department of Agriculture as of the beginning of the marketing year for the commodity.

(f) "Total supply" of any nonbasic agricultural commodity for any marketing year shall be the carry-over at the beginning of such marketing year, plus the estimated production of the commodity in the United States during the calendar year in which such marketing year begins and the estimated imports of the commodity into the United States during such marketing year.

(g) "Carry-over" of any nonbasic agricultural commodity for any marketing year shall be the quantity of the commodity on hand in the United States at the beginning of such marketing year, not including any part of the crop or production of such commodity which was produced in the United States during the calendar year then current. The carry-over of any such commodity may also include the quantity of such commodity in processed form on hand in

the United States at the beginning of such marketing year, if the Secretary determines that the inclusion of such processed quantity of the commodity is necessary to effectuate the purposes of this Act.

(h) "Normal supply" of any nonbasic agricultural commodity for any marketing year shall be (1) the estimated domestic consumption of the commodity for the marketing year for which such normal supply is being determined, plus (2) the estimated exports of the commodity for such marketing year, plus (3) an allowance for carry-over. The allowance for carry-over shall be the average carry-over of the commodity for the five marketing years immediately preceding the marketing year in which such normal supply is determined, adjusted for surpluses or deficiencies caused by abnormal conditions, changes in marketing conditions, or the operation of any agricultural program. In determining normal supply, the Secretary shall make such adjustments for current trends in consumption and for unusual conditions as he may deem necessary.

(i) "Marketing year" for any nonbasic agricultural commodity means any period determined by the Secretary during which substanitally all of a crop or production of such commodity is normally marketed by the producers thereof.

(j) Any term defined in the Agricultural Adjustment Act of 1938 [(7 U.S.C. 1281 et seq.)], shall have the same meaning when used in this Act.

[(k)(1) Reference made in sections 402, 403, 406, 407, and 416 to the terms "support price", "level of support", and "level of price support" shall be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act.

[(2) References made to the terms "price support", "price support operations", and "price support program" in such sections and in sections 401(a) shall be considered as applying as well to loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act.]

(k)(1) Reference made in sections 402, 403, 406, 407, and 416 to the terms "support price", "level of support", and "level of price support" shall be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act.

(2) References made to the terms "price support", "price support operations", and "price support program" in such sections and in section 401(a) shall be considered as applying as well to loan and purchase operations for wheat, feed grains, upland cotton, and rice under this Act.

(3) Notwithstanding any other provision of law, this subsection shall be effective only for the 1991 through 1995 crops of wheat, feed grains, upland cotton, and rice.

* * * * * * *

[DISPOSITION OF COMMODITIES TO PREVENT WASTE]

SEC. 416. (a) In order to prevent the waste of commodities whether in private stocks or acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-

support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) upon application, to make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials as authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in nonprofit summer camps for children, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served. In the case of (3) the Secretary shall obtain such assurance as he deems necessary that the recipients thereof will not diminish their normal expenditures for food by reason of such donation. In order to facilitate the appropriate disposal of such commodities, the Secretary may from time to time estimate and announce the quantity of such commodities which he anticipates will become available for distribution under (3). The Commodity Credit Corporation may pay, with respect to commodities disposed of under this subsection, reprocessing, packaging, transporting, handling, and other charges accruing up to the time of their delivery to a Federal agency or to the designated State or private agency. In addition, in the case of food commodities disposed of under this subsection, the Commodity Credit Corporation may pay the cost of processing such commodities into a form suitable for home or institutional use, such processing to be accomplished through private trade facilities to the greatest extent possible. For the purpose of this subsection the terms "State" and "United States" include the District of Columbia and any Territory or possession of the United States.

Dairy products acquired by the Commodity Credit Corporation through price support operations may, insofar as they can be used in the United States in nonprofit school lunch and other nonprofit child feeding programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served, be donated for any such use prior to any other use or disposition. Notwithstanding any other provision of law, such dairy products may be donated for distribution to needy households in the United States and to meet the needs of persons receiving nutrition assistance under the Older Americans Act of 1965.

[(b)(1) The Secretary, subject to the requirements of paragraph (10), may furnish eligible commodities for carrying out programs of assistance in developing countries and friendly countries under title II of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C. 1721 et seq.)] and under the Food for Progress Act of 1985 [(7 U.S.C. 1736o)], as approved by the Secretary, and for such purposes as are approved by the Secretary. To ensure that the furnishing of commodities under this subsection is coordinated with and complements other United States foreign assistance, assistance under this subsection shall be coordinated through the mechanism

designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C.1691 et seq.)].

[(2) As used in this subsection, the term "eligible commodities" means—

[(A) dairy products, wheat, rice, feed grains, and oilseeds acquired by the Commodity Credit Corporation through price support operations, and the products thereof, that the Secretary determines meet the criteria specified in subsection (a); and

[(B) such other edible agricultural commodities as may be acquired by the Secretary or the Commodity Credit Corporation in the normal course of operations and that are available for disposition under this subsection, except that no such commodities may be acquired for the purpose of their use under this subsection.

[(3)(A) Commodities may not be made available for disposition under this subsection in amounts that (i) will, in any way, reduce the amounts of commodities that traditionally are made available through donations to domestic feeding programs or agencies, or (ii) will prevent the Secretary from fulfilling any agreement entered into by the Secretary under a payment-in-kind program under this Act or other Acts administered by the Secretary.

[(B)(i) The requirements of section 401(b) of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C.1731(b))] shall apply with respect to commodities furnished under this subsection. Commodities may not be furnished for disposition to any country under this subsection except on determinations by the Secretary that—

[(I) the receiving country has the absorptive capacity to use the commodities efficiently and effectively; and

[(II) such disposition of the commodities will not interfere with usual marketings of the United States, nor disrupt world prices of agricultural commodities and normal patterns of commercial trade with developing countries.

[(ii) The requirement for safeguarding usual marketings of the United States shall not be used to prevent the furnishing under this subsection of any eligible commodity for use in countries that—

[(I) have not traditionally purchased the commodity from the United States; or

[(II) do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

[(C) The Secretary shall take reasonable precautions to ensure that—

[(i) commodities furnished under this subsection will not displace or interfere with sales that otherwise might be made; and

[(ii) sales or barter under paragraph (7) will not unduly disrupt world prices of agricultural commodities nor normal patterns of commercial trade with friendly countries.

[(D) If eligible commodities are made available under this subsection to a friendly country, nonprofit and voluntary agencies and

cooperatives shall also be eligible to receive commodities for food aid programs in the country.

[(4) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time. In agreements with recipients of eligible commodities under this subsection (including nonprofit and voluntary agencies or cooperatives), subject to the availability of commodities each fiscal year, the Secretary, on request, shall approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of this subsection.

[(5)(A) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C.1723)] shall apply to the commodities furnished under this subsection.

[(B) The Commodity Credit Corporation may pay the processing and domestic handling costs incurred, as authorized under this subsection, in the form of eligible commodities, as defined in paragraph (2)(A), if the Secretary determines that such in-kind payment will not disrupt domestic markets.

[(6) The cost of commodities furnished under this subsection, and expenses incurred under section 203 of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C. 1723)] in connection with those commodities, shall be in addition to the level of assistance programmed under that Act and shall not be considered expenditures for international affairs and finance.

[(7) Eligible commodities furnished under this subsection may be sold or bartered only with the approval of the Secretary and solely as follows:

[(A) Sales and barter that are incidental to the donation of the commodities or products.

[(B) Sales and barter to finance the distribution, handling, and processing costs of the donated commodities or products in the importing country or in a country through which such commodities or products must be transshipped, or other activities in the importing country that are consistent with providing food assistance to needy people.

[(C) Sales and barter of commodities and products furnished to intergovernmental agencies or organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by those agencies or organizations.

[(D)(i) Sales of commodities and products furnished to nonprofit and voluntary agencies, or cooperatives, for food assistance under agreements that provide for the use, by the agency or cooperative, of foreign currency proceeds generated from such sale of commodities or products for the purpose established in clause (ii) of this subparagraph.

[(ii) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative shall be used—

[(I) to transport, store, distribute, and otherwise enhance the effectiveness of the use of commodities and the products thereof donated under this section; and

[(II) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other developmental activities.

In addition, foreign currency proceeds generated in Poland may also be used by such agencies or cooperatives for eligible activities approved by the joint commission established pursuant to section 2226 of the American Aid to Poland Act of 1988 and by the United States chief of diplomatic mission in Poland that would improve the quality of life of the Polish people and would strengthen and support the activities of private, nongovernmental independent institutions in Poland. Activities eligible under the preceding sentence include—

[(I) any project undertaken in Poland under the auspices of the Charitable Commission of the Polish Catholic Episcopate for the benefit of handicapped or orphaned children;

[(II) any project for the reconstruction, renovation, or maintenance of the Research Center on Jewish History and Culture of the Jagiellonian University of Krakow, Poland, established for the study of events related to the Holocaust in Poland; and

[(III) any other project or activity which strengthens and supports private and independent sectors of the Polish economy, especially independent farming and agriculture.

[(iii) Except as otherwise provided in clause (v), such agreements, taken together for each fiscal year, shall provide for sales of commodities and products for foreign currency proceeds in amounts that are, in the aggregate, not less than 10 percent of the aggregate value of all commodities and products furnished, or the minimum tonnage required, whichever is greater, for carrying out programs of assistance under this subsection in such fiscal year. The minimum allocation requirements of this clause apply with respect to commodities and products made available under this subsection for carrying out programs of assistance under title II of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C. 1721 et seq.)], and not with respect to commodities and products made available to carry out the Food for Progress Act of 1985.

[(iv) Foreign currency proceeds generated from the sale of commodities or products under this subparagraph shall be expended within the country of origin within one year of acquisition of such currency, except that the Secretary may permit the use of such proceeds (I) in countries other than the country or origin as necessary to expedite the transportation of commodities and products furnished under this subsection, and (II) after one year of acquisition as appropriate to achieve the purposes of clause (i).

[(v) The provisions of clause (iii) of this subparagraph establishing minimum annual allocations for sales and use of proceeds shall not apply to the extent that there not been sufficient requests for such sales and use of proceeds nor to the extent required under paragraph (3).

[(E) Sales and barter to cover expenses incurred under paragraph (5)(a).

No portion of the proceeds or services realized from sales or barter under this paragraph may be used to meet operating and overhead expenses, except as otherwise provided in subparagraph (C) and except for personnel and administrative costs incurred by local cooperatives.

[(8)(A) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.

[(B) The Secretary shall be responsible for regulations governing sales and barter, and the use of foreign currency proceeds, under paragraph (7) of this subsection that will provide reasonable safeguards to prevent the occurrence of abuses in the conduct of activities provided for in paragraph (7).

[(C)(i) If a proposal to make eligible commodities available under this subsection is submitted by a nonprofit and voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make such commodities available to a nonprofit and voluntary agency or cooperative is submitted by the United States Government field mission, a decision on the proposal shall be provided within 45 days after receipt by the Agency for International Development office in Washington, D.C. The response shall detail the reasons for approval or denial of the proposal. If the proposal is denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

[(ii) Not later than 30 days before the issuance of a final guideline issued to carry out this subsection, the Secretary shall—

[(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under this subsection, and other interested persons, that the proposed guideline is available for review and comment;

[(II) make the proposed guideline available, on request, to nonprofit and voluntary agencies, cooperatives, and others; and

[(III) take any comments received into consideration before the issuance of the final guideline.

[(iii) Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the requirements of this subsection, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

[(9)(A) Each recipient of commodities and products approved for sale or barter under paragraph (7) shall report to the Secretary information with respect to the items required to be included in the Secretary's report pursuant to clauses (i) through (iv) of subparagraph (B). Reports pursuant to this subparagraph shall be submitted in accordance with regulations of the Secretary. Such regulations shall require at least one report annually, to be submitted not later than December 31 following the end of the fiscal year in which the commodities and products are received; except that a report shall not be required with respect to fiscal year 1985.

[(B) Not later than February 15, 1987, and annually thereafter, the Secretary shall report to the Congress on sales and barter, and use of foreign currency proceeds, under paragraph (7) during the preceding fiscal year. Such report shall include information on—

[(i) the quantity of commodities furnished for such sale or barter;

[(ii) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in such fiscal year;

[(iii) how such funds and services were used;

[(iv) the amount of foreign currency proceeds that were used under agreements under subparagraph (D) of paragraph (7) in such fiscal year, and the percentage of the quantity of all commodities and products furnished under this subsection in such fiscal year such use represented;

[(v) the Secretary's best estimate of the amount of foreign currency proceeds that will be used, under agreements under subparagraph (D) of paragraph (7), in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the Secretary estimates will be furnished under this subsection in each such fiscal year;

[(vi) the effectiveness of such sales, barter, and use during such fiscal year in facilitating the distribution of commodities and products under this subsection;

[(vii) the extent to which sales, barter, or uses—

[(I) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made,

[(II) affect usual marketings of the United States,

[(III) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries, or

[(IV) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this subsection; and

[(viii) the Secretary's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under paragraph (7).

[(10)(A) Subject to the limitations established under paragraph (3), the Secretary shall make available for disposition under this subsection in each of the fiscal years 1988 through 1990 not less than the minimum quantities of eligible commodities specified in subparagraph (B).

[(B) The minimum quantity of eligible commodities that shall be made available for disposition under this subsection in each fiscal year shall be—

[(i) 500,000 metric tons of wheat, rice, feed grains, and oilseeds from the Corporation's uncommitted stocks, or an amount equal to 10 percent of the Corporation's uncommitted stocks of wheat, rice, feed grains, and oilseeds as of the end of such fiscal year (as estimated by the Secretary), whichever is less; and

[(ii) 10 percent of the Corporation's uncommitted stocks of dairy products, but not less than 150,000 metric tons of such products to the extent that uncommitted stocks are available.

The Secretary shall make such estimation of expected year-end levels of the Corporation's uncommitted stocks prior to the beginning of the fiscal year or, in the case of fiscal year 1986, prior to March 31, 1986. The Secretary's determination as to the amount of the Corporation's stocks that shall be made available for disposition under this subsection for such fiscal year shall be published in the Federal Register, along with a breakdown by kind of commodity and the quantity of each kind of commodity that shall be made available, before the beginning of such fiscal year or, in the case of fiscal year 1986, March 31, 1986.

[(C) Of the aggregate amounts made available each fiscal year pursuant to both clauses (i) and (ii) of subparagraph (B), not less than 75,000 metric tons shall be made available to carry out the Food for Progress Act of 1985 [section 1110 of the Food Security Act of 1985 (7 U.S.C. 1736o; 99 Stat. 1472)].

[(D)(i) The Secretary—

[(I) may waive the minimum quantity requirements of subparagraphs (A) and (B) for a fiscal year to the extent that the Secretary determines and reports to Congress that there are not sufficient requests for eligible commodities under this subsection for such fiscal year, except that the waiver authority of this subclause may not be used to waive the minimum quantity requirement of subparagraph (C);

[(II) may waive the minimum quantity requirement of subparagraph (C) in accordance with subsection (f)(2) of the Food for Progress Act of 1985 [(7 U.S.C. 1736o(f)(2))]; and

[(III) may waive the minimum quantity requirements of subparagraphs (A), (B), and (C) for a fiscal year, if the Secretary determines that the restrictions on the furnishing of commodities under paragraph (3) prevent the making available of commodities in such quantities.

[(ii) For any fiscal year in which the minimum levels of uncommitted Commodity Credit Corporation stocks specified in subparagraph (B) are not made available and during which any requests for commodities under this subsection are rejected, the Secretary shall provide a detailed, written explanation to Congress, at the end of such fiscal year, of the reasons for the rejections of such requests.

[(11)(A) The Secretary may furnish eligible commodities under this subsection in connection with (i) concessional sales agreements entered into under title I of the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C. 1701 et seq.)] or other statutes, or (ii) agricultural export bonus or promotion programs carried out under the Commodity Credit Corporation Charter Act [(15 U.S.C. 714 et seq.)] or other statutes.

[(B) Eligible commodities may be furnished by the Secretary under this subsection in connection with agreements by recipient countries to acquire additional agricultural commodities from the United States through commercial arrangements.

[(C) The amount of any commodity furnished under subparagraphs (A) and (B) of this paragraph in any fiscal year shall not be considered for the purpose of determining whether the requirements of paragraph (10)(A) of this subsection have been met during such fiscal year.

[(12) There is authorized to be appropriated for fiscal year 1988, in addition to any other funds authorized to be appropriated, $1,000,000 for technical assistance for the sale or barter of commodities under paragraph (7) to strengthen nonprofit private organizations and cooperatives in the Philippines.]

(b)(1) The Secretary may provide eligible commodities for carrying out programs of assistance in foreign countries as provided for under titles I, II and III of the Agricultural Trade Development and Assistance Act of 1954.

(2) As used in this subsection, the term "eligible commodities" means—

(A) dairy products, wheat, rice, feed grains, and oilseeds acquired by the Commodity Credit Corporation through price support operations under title I, and the products thereof, that the Secretary determines meet the criteria described in subsection (a); and

(B) such other edible agricultural commodities as may be acquired by the Secretary or the Commodity Credit Corporation in the normal course of operations and that are available for disposition under this subsection.

(3)(A) Except as provided in paragraph (4), the Secretary shall make available, in each of the fiscal years 1990 through 1995, to carry out programs of assistance under titles I, II and III of the Agricultural Trade Development and Assistance Act of 1954 not less than the minimum quantities of eligible commodities described in subparagraph (B).

(B) The minimum quantity of eligible commodities that shall be made available for disposition under this subsection in each fiscal year shall be—

(i) 500,000 metric tons of wheat, rice, feed grains, and oilseeds from the uncommitted stocks of the Commodity Credit Corporation, or an amount equal to 10 percent of the uncommitted stocks of wheat, rice, feed grains, and oilseeds of such Corporation as of the end of such fiscal year (as estimated by the Secretary), whichever is less; and

(ii) 10 percent of the uncommitted stocks of dairy products of such Corporation, but not less than 150,000 metric tons of such products to the extent that uncommitted stocks are available.

(C) The Secretary shall, to the extent practicable, make the estimation of expected year-end levels of the uncommitted stocks of such Corporation prior to October 1, of the fiscal year.

(D) The determination of the Secretary with respect to the amount of the stocks of such Corporation that shall be made available for disposition under this subsection for such fiscal year shall be published in the Federal Register prior to October 1, of such fiscal year, together with a breakdown by kind of commodity and the quantity of each kind of commodity that shall be made available.

(E) The Secretary may waive the minimum quantity requirements of this paragraph for a fiscal year to the extent that there are not sufficient requests for eligible commodities under this subsection for such fiscal year.

(4) Commodities shall not be made available for disposition under this subsection in amounts that—

(A) will in any way, reduce the amounts of commodities that traditionally are made available through donations to domestic feeding programs or agencies; or

(B) will prevent the Secretary from fulfilling any agreements entered into under the production adjustment programs provided for in titles I and II of this Act, or other Acts administered by the Secretary.

(5) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.

(6) Foreign currency proceeds generated in Poland may be used for activities approved by the joint commission established by section 2226 of the American Aid to Poland Act of 1988 and by the United States chief of diplomatic mission in Poland that—

(A) improve the quality of life of the Polish people; and

(B) Strengthen and support the activities of private, nongovernmental independent institutions in Poland.

(c) To prevent the waste of dairy products acquired by the Commodity Credit Corporation through price support operations, the Corporation, on such terms and under such regulations as the Secretary may prescribe, shall carry out a two-year pilot program under which the Corporation shall barter or exchange such dairy products, to the extent they are available, for forty thousand metric tons (consisting of twenty thousand metric tons in each year of the pilot program) of ultra-high temperature processed fluid milk. Such barter or exchange shall be effected on the basis of competitive bids submitted by domestic processors. The processed milk acquired by the Corporation under this subsection shall be available for donation through foreign governments and public and nonprofit private humanitarian organizations for the assistance of needy persons outside the United States, and the Corporation may pay, with respect to such processed milk donated under this subsection, transporting, handling, and other charges, including the cost of overseas delivery. Any donations under this subsection shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 [(7 U.S.C. 1691 et seq.)] and shall be in addition to the level of assistance programmed under that Act. The pilot program shall be implemented by the Corporation as soon as practicable after the enactment of the Agricultural Programs Adjustment Act of 1984 [enacted on April 10, 1984] and shall be operated for a period of two years after its implementation. Upon completion of the pilot program, the Secretary shall submit a report to Congress on its operation.

[(d)(1) The Secretary shall establish and carry out a pilot program under which strategic or other materials that the United States does not produce domestically in amounts sufficient for its requirements and for which national stockpile or reserve goals established by law are unmet shall be acquired in exchange for commodities meeting the criteria specified in subsection (a).

[(2) The program established under paragraph (1) shall be carried out through agreements with at least two countries.

[(3) In establishing the pilot program under paragraph (2), the Secretary shall give priority to—

[(A) the acquisition of materials that involve less risk of loss through deterioration and have lower storage costs than the agricultural commodities or products for which they are exchanged; and

[(B) nations with food and currency reserve shortages.

[(4) To the extent practical, the Secretary shall use private channels of commerce to consummate any exchange of commodities for materials under the program.

[(5) Any materials acquired under the programs shall be held by the Commodity Credit Corporation and may be transferred, on a reimbursable basis, to any Department or agency of the United States that has responsibility for any reserve or other need for the material. Any material acquired, in excess of any required reserve, may be sold by the Corporation to the extent authorized by the Secretary taking into consideration any effect that such sale may have on the commercial market of such material.

[(6) The program established by the Secretary shall be carried out during the fiscal years ending September 30, 1986, and September 30, 1987, and the Secretary shall submit a report to Congress, not later than 60 days after the end of each such fiscal year with respect to the operation of the program.]

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[ADVANCE RECOURSE COMMODITY LOANS]

SEC. 424. Notwithstanding any other provision of this Act, the Secretary may make advance recourse loans available to producers of the commodities of the [1986 through 1990] *1991 through 1995* crops for which nonrecourse loans are made available under this Act if the Secretary finds that such action is necessary to ensure that adequate operating credit is available to producers. Such recourse loans may be made available under such reasonable terms and conditions as the Secretary may prescribe, except that the Secretary shall require that a producer obtain crop insurance for the crop as a condition of eligibility for a loan.

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[TITLE V—ACREAGE BASE AND PROGRAM YIELD SYSTEM FOR THE WHEAT, FEED GRAIN, UPLAND COTTON, AND RICE PROGRAMS

[[PURPOSE]

[SEC. 501. The purpose of this title is to prescribe a system for establishing farm and crop acreage bases and program yields for the wheat, feed grain, upland cotton, and rice programs under this Act that is efficient, equitable, flexible, and predictable.

[[DEFINITIONS]

[SEC. 502. For purposes of this title—

[(1) the term "program crop" means any crop of wheat, feed grains, upland cotton, or rice; and

[(2) the term "county committee" means the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for the county in which the farm is administratively located.

[[FARM ACREAGE BASES]

[SEC. 503. (a)(1) Except as provided in paragraph (2), the Secretary shall provide for the establishment and maintenance for farm acreage bases for the 1986 and subsequent crop years.

[(2) With respect to the 1986 crop year, the Secretary may forgo the establishment of farm acreage bases under this title.

[(b)(1) The county committee in accordance with regulations prescribed by the Secretary, shall determine the farm acreage base for a farm for a crop year. Such farm acreage base shall include the number of acres equal to the sum of the crop acreage bases for the farm.

[(2) In the case of farm acreage bases established for the 1987 and subsequent crop years, the determination of the farm acreage base shall also include (in addition to the crop acreage bases for the farm) in sum of (A) the average of the acreage on the farm planted to soybeans in the 1986 and subsequent crop years, and (B) the average of the acreage on the farm devoted by the producer to a conserving use in the normal course of farming operations in the 1986 and subsequent crop years.

[(c)(1) Notwithstanding any other provisions of this Act, effective for each of the 1989 and 1990 crops, the Secretary shall permit producers on a farm to designate any portion of the farm acreage base (excluding any portion designated as soybean acreage base) for the crop year as acreage base established for oats. For the purpose of determining the farm acreage base or the crop acreage bases for the farm, any acreage on the farm that is designated as oats base under this paragraph and planted to oats for harvest in 1989 or 1990 shall be considered to be planted to the program crop for which oats are substituted.

[(2) The Secretary shall not make program benefits other than benefits available under the program established for oats available to producers with respect to acreage planted to oats under paragraph (1), and shall ensure that the crop acreage bases established for the farm and the farm acreage base are not increased due to such plantings.

[[CROP ACREAGE BASES]

[SEC. 504. (a)(1) The Secretary shall provide for the establishment and maintenance of crop acreage bases for each program crop, including any program crop produced under an established practice of double croping. The sum of the crop acreage bases for all program crops produced on any farm for any crop year shall not exceed the farm acreage base for such farm for such crop year, except to the extent that the excess is due to an established practice of double cropping.

[(2) The term "double cropping" means a farming practice, as defined by the Secretary, which has been carried out on a farm in

at least 3 of the 5 crop years immediately preceding the crop year for which the crop acreage base for the farm is established.

[(b)(1)(A) Except as provided in subparagraph (B), the crop acreage base for a program crop for any farm for the 1986 and subsequent crop years shall be the number of acres that is equal to the average of the acreage planted and considered planted to such program crop for harvest on the farm in each of the five crop years preceding such crop year.

[(B)(i) In the case of upland cotton and rice, except as provided in clause (ii), if no planted and considered planted acreage has been established for a farm for each of the five crop years preceding such crop year, the crop acreage base for such crop shall be equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the five crop years preceding such crop year, excluding all crop years in which planted and considered planted acreage was not established for the farm.

[(ii) Any crop acreage base established in accordance with clause (i) shall not exceed a number of acres equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the two crop years preceding such crop year.

[(2) The acreage considered planted to a program crop shall include—

[(A) any reduced acreage, set-aside acreage, and diverted acreage on the farm;

[(B) any acreage on the farm that producers were prevented from planting to such crop because of drought, flood, or other natural disaster, or other condition beyond the control of the producers;

(C) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to conservation uses or the production of commodities permitted under section 107D(c)(1)(D), 105C(c)(1)(I), 103A(c)(1)(G), or 101A(c)(1)(G), as the case may be;

[(D) in the case of each of the 1986 through 1989 crop years, acreage in an amount equal to not exceed 50 percent of the permitted acreage for a program crop for each of the 1986 and 1987 crop years, 35 percent of the permitted acreage for the 1988 crop year and 20 percent of the permitted acreage for the 1989 year, if—

[(i) the acreage considered to be planted is planted to a crop, other than a program crop, peanuts, soybeans, extra long staple cotton, or commodities specified in clause (C);

[(ii) the producers on the farm plant for harvest to the program crop at least 50 percent of the permitted acreage for such crop; and

[(iii) payments are not received by producers under 107d(c)(1)(C), 105C(c)(1)(B), 103A(c)(1)(B), or 101A(c)(1)(B), as the case may be;

[(E) in the case of the 1990 crop year, acreage in an amount not to exceed 20 percent of the permitted acreage for a program crop, if—

[(i) the acreage considered to be planted is planted to canola, rapeseed, sunflower, safflower, flaxseed, kenaf,

crambe, guayule, milkweed, mung bean, mustard, or meadowfoam;

[(ii) the producers on the farm plant for harvest to the program crop at least 50 percent of the permitted acreage for such crop; and

[(iii) payments are not received by producers under section 107d(c)(1)(C), 105C(c)(1)(B), 103A(c)(1)(B), or 101A(c)(1)(B), as the case may be; and

[(F) any acreage on the farm which the Secretary determines is necessary to be included in establishing a fair and equitable crop acreage base.

[(3) For the purpose of determining the crop acreage base for the 1986 and subsequent crop years for any farm, the county committee, in accordance with regulations prescribed by the Secretary, may construct a planting history for such crop if—

[(A) planting records for such crop for any of the five crop years preceding such crop year are incomplete or unavailable; or

[(B) during at least one but not more than four of the five crop years preceding such crop year, the program crop was not produced on the farm.

[(c) The Secretary may make adjustments to reflect crop rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable crop acreage base.

[(d) If a county committee determines, in accordance with regulations prescribed by the Secretary, that the occurrence of a natural disaster or other similar condition beyond the control of the producer prevented the planting of a program crop on any farm within the county (or substantially destroyed any such program crop after it had been planted but before it had been harvested), the producer may plant any other crop, including any other program crop, on the acreage of such farm that, but for the occurrence of such disaster or other condition, would have been devoted to the production of a program crop. For purposes of determining the farm acreage based or the crop acreage base, any acreage on the farm on which a substitute crop, including any program crop, is planted under this subsection shall be taken into account as if such acreage had been planted to the program crop for which the other crop was substituted.

[(e) Nothwithstanding any other provision of this Act—

[(1) Effective for the 1990 crops, the Secretary shall, subject to paragraph (2), permit producers on a farm to plant soybeans, sunflowers, or safflowers on a portion specified by the producer (but in any event not more than 25 percent of producers' 1990 wheat, feed grain, upland cotton, extra long staple cotton, and rice permitted acreage, as determined by the Secretary.

[(2)(A) The Secretary shall establish a sign-up period during which the producers on a farm participating in the 1990 crop wheat, feed grain, upland cotton, extra long staple cotton, or rice price support and production adjustment program, must state their intentions regarding use of the increased planting provision under (1).

[(B) After termination of the sign-up period under subparagraph (A), the Secretary shall estimate whether, based on the anticipated additional soybean, sunflower, and safflower plantings for the crop, the average market price for the 1990 crop of soybeans will be below 110 percent of the loan rate established for the 1989 crop of soybeans

[(C) If the Secretary estimates that the average market price for the 1990 crop of soybeans will be below 110 percent of such loan rate, the Secretary shall reduce the percentage of permitted acreage on the farm that may be planted to soybeans, sunflowers, and safflowers to a level, or prohibit such plantings, as necessary to ensure that the average soybean market price does not fall below 110 percent of such loan rate.

[(D) The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a statement setting forth the reasons for any reduction in the permitted planting percentage, or prohibition on such plantings, under this paragraph.

[(3)(A) For the purposes of determining the farm acreage base or the crop acreage bases for the farm, any acreage on the farm on which soybeans, sunflowers, and safflowers are planted under this subsection shall be considered to be planted to the program crop for which soybeans, sunflowers, and safflowers are substituted.

[(B) The Secretary may not make program benefits other than soybean or sunflower seed price support loans and purchases available to producers with respect to acreage planted to soybeans, sunflowers, and safflowers under this subsection and shall ensure that the crop acreage bases established for the farm and the farm acreage based are not increased due to such plantings.

[[ADJUSTMENT OF CROP ACREAGE BASES]

[SEC. 505. (a) The Secretary may provide for an upward adjustment of any crop acreage base for any farm for any crop year. Except as provided in subsection (b), such adjstment may not exceed the number of acres that is equal to 10 percent of the farm acreage base for such farm for such crop. Any upward adjustment in a crop acreage base must be offset by an equivalent downward adjustment in one or more other crop acreage bases established for the farm for such crop year.

[(b) The Secretary may suspend, on a nationwide basis, any limitation contained in subsection (a) with respect to the crop acreage base for any program crop if the Secretary determines that—

[(1) a short supply or other similar emergency situation exists with respect to the program crop; or

[(2) market factors exist that require the suspension of the limitation to achieve the purposes of the program.

[[FARM PROGRAM PAYMENT YIELDS]

[SEC. 506. (a) The Secretary shall provide for the establishment of a farm program payment yield for each farm or each program crop for each crop year.

[(b)(1) Except as provided in paragraph (2) and (3), the farm program payment yield for each of the 1986 and 1987 crop years shall be the average of the farm program payment yields for the farm for the 1981 through 1985 crop years, excluding the year in which such yield was the highest and the year in which such yield was the lowest.

[(2)(A) In the case of the 1986 crop year for a commodity, if the farm program payment yield for a farm is reduced more than 3 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity (in the form of commodities owned by the Commodity Credit Corporation) in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 3 percent percent below the farm program payment yield for the 1985 crop year.

[(B) In the case of the 1987 crop year for a commodity, if the farm program payment yield for a farm is reduced more than 5 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity (in the form of commodities owned by the Commodity Credit Corporation) in such amount as the Secretary determines is necesary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 5 percent below the farm program payment yield for the 1985 crop year.

[(C) In the case of each of the 1988 through 1990 crop years for a commodity, if the farm program payment yield for a farm is reduced more than 10 percnt below the farm program payment yield for the 1985 crop year, Secretary shall make available to producers established price payments for the commodity in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 10 percent below the farm program payment yield for the 1985 crop year. Such payments shall be made available to producers at the time final deficiency payments are made available.

[(3) If no crop of the commodity was produced on the farm or not farm program payment yield was established for the farm for any of the 1981 through 1985 crop years, the farm program payment yield shall be established on the basis of the average farm program payment yield for such crop years for similar farms in the area.

[(4) If the Secretary determines such action is necessary, the Secretary may establish national, State, or county program payment yields on the basis of—

[(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting such yields in the historical period; or

[(B) the Secretary's estimate of actual yields for the crop year involved if historical yield data is not available.

[(5) If national, State, or county program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

[(c)(1) With respect to the 1988 and subsequent crop years, the Secretary may (A) establish the farm program yield as provided in subsection (b), or (B) establish a farm program payment yield for any program crop for any farm on the basis of the average of the yield per harvested acre for the crop for such farm for each of the five crop years immediately preceding such crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per harvested acre, and any crop year in which such crop was not planted on the farm. For purposes of the preceding sentence, the farm program payment yield for the 1983 through 1986 crop years and the actual yield per harvested acre with respect to the 1987 and subsequent crop years shall be used in determining farm program payment yields. Notwithstanding any other provision of this paragraph, for purposes of establishing a farm program payment yield for any program crop for any farm for the 1988 and subsequent crop years, the farm program payment yield for the 1986 crop year may not be reduced more than 10 percent below the farm program payment yield for the farm for the 1985 crop year.

[(2) The county committee, in accordance with regulations prescribed by the Secretary, may adjust any program yield for any program crop for any farm if the program yield for the crop on the farm does not accurately reflect the productive potential of the farm because of the occurrence of a natural disaster or other similar condition beyond the control of the producer.

[(d) In the case of any farm for which the actual yield per harvested acre for any program crop referred to in subsection (c)(1) for any crop year is not available, the county committee may assign the farm a yield for the crop for such crop year on the basis of actual yields for the crop for such crop year on similar frms in the area.

[(e) (1) With respect to the 1989 and subsequent crop years, the Secretary shall allow producers to provide to county committees data with respect to the actual yield for each farm for each program crop. The Secretary shall maintain such data for at least five crop years after receipt in a manner that will permit the data to be used, if necessary, in the administration of the commodity programs for the 1989 and subsequent crops.

[(2) The Secretary shall provide timely notification to producers of the provisions of paragraph (1).

[(3) With respect to the 1989 crop year, the Secretary shall determine what the costs of each commodity program would be if farm program payment yields were determined in accordance with the methods prescribed in paragraph (4) and what the impact of such alternative methods would be on each commodity program and on producers participating in each commodity program.

[(4) The alternative methods of determining program payment yields for purposes of paragraph (3) shall include, at a minimum:

[(A) using producers' actual yields for the current crop year;

[(B) allowing producers the option of choosing to use their actual yields or the county average yield for the current crop year; and

[(C) the yield derived on the basis of the average of the actual yield per harvested acre for the crop for each of the five crop years immediately preceding such crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per harvested acre, and any crop year in which such crop was not planted on the farm.

Not later than January 30, 1990, the Secretary shall report the determinations under this subsection to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[[PLANTING AND PRODUCTION HISTORY OF FARMS]

[SEC. 507. Effective for each of the 1986 and subsequent crop years, each county committee, in accordance with regulations prescribed by the Secretary, may require any producer who seeks to establish a farm acreage base, crop acreage base, or farm program payment yield for a farm for a crop year to provide planting and production history of such farm for each of the five crop years immediately preceding such crop year.

[[ESTABLISHMENT OF BASES AND YIELDS BY COUNTY COMMITTEES]

[SEC. 508. Each county committees may, in accordance with regulations prescribed by the Secretary. provide for the establishment of a farm acreage base, crop acreage base, and farm program payment yield with respect to any farm administratively located within the county if such farm acreage base, crop acreage base, or farm program payment yield cannot otherwise be established under this title. Such bases and farm program payment yields shall be established in a fair and equitable manner, but no such bases or farm program payment yields shall be established for a farm if the producer on such farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland.

[[APPEALS]

[SEC. 509. The Secretary shall establish an administrative appeal procedure which provides for an administrative review of determinations made with respect to farm acreage bases, crop acreage bases, and farm program payment yields.]

TITLE V—ACREAGE BASE AND YIELD SYSTEM

SEC. 501. PURPOSE.

The purpose of this title is to prescribe a system for establishing normal and crop acreage bases and program payment yields for the wheat, feed grains, upland cotton, extra long staple cotton, and rice programs under this Act that is efficient, equitable, flexible, and predictable.

SEC. 502. DEFINITIONS.

For purposes of this title:

(1) COUNTY COMMITTEE.—The term "county committee" means the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for the county in which the farm is administratively located.

(2) NORMAL CROP ACREAGE.—The term "normal crop acreage" means the sum of the crop acreage bases established for program crops and historical oilseed plantings for a farm.

(3) OILSEED.—The term "oilseed" means a crop of soybeans, sunflowers, rapeseed, canola, safflower, flaxseed, or if designated by the Secretary, other oilseeds.

(4) PROGRAM CROP.—The term "program crop" means a crop of wheat, corn, grain sorghums, oats, barley, upland cotton, extra long staple cotton, or rice.

SEC. 503. NORMAL CROP ACREAGE.

(a) IN GENERAL.—The Secretary shall provide for the establishment and maintenance of a normal crop acreage for the 1991 and subsequent crop years.

(b) DETERMINATION.—The county committee, in accordance with regulations prescribed by the Secretary, shall determine the normal crop acreage for a farm for a crop year.

SEC. 504. CROP ACREAGE BASES.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary shall provide for the establishment and maintenance of—

(A) crop acreage bases for each program crop, including any program crop produced under an established practice of double cropping; and

(B) historical oilseed plantings for the farm.

(2) DEFINITION OF DOUBLE CROPPING.—As used in this subsection, the term "double cropping" means a farming practice, as defined by the Secretary, that has been carried out on a farm during at least 3 of the 5 crop years immediately preceding the crop year for which the crop acreage base for the farm is established.

(b) CALCULATION.—

(1) IN GENERAL.—Except as provided in paragraph (2), the crop acreage base for each program crop and the historical oilseed planting for a farm for a crop year shall be the number of acres that is equal to the average of the acreage planted and considered planted to the program crop or oilseed for harvest on the farm in each of the 5 crop years preceding the crop year.

(2) UPLAND COTTON AND RICE.—

(A) CALCULATION.—In the case of upland cotton and rice, except as provided in subparagraph (B), if no planted and considered planted acreage has been established for a farm for each of the 5 crop years preceding such crop year, the crop acreage base for such crop shall be equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the 5 crop years preceding such crop year, excluding all crop years in which

planted and considered planted acreage was not established for the farm.

(B) LIMITATION.—Any crop acreage base established in accordance with subparagraph (A) shall not exceed a number of acres equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the 2 crop years preceding such crop year.

(c) ACREAGE CONSIDERED PLANTED.—For purposes of this Act, acreage considered planted to a program crop or oilseed shall include—

(1) any reduced acreage and diverted acreage on the farm;

(2) any acreage on the farm that producers were prevented from planting to the crop because of drought, flood, or other natural disaster, or other condition beyond the control of the producers;

(3) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to conservation uses or the production of commodities permitted by the Secretary;

(4) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to the production of commodities in accordance with section 505;

(5) any acreage on the farm that the Secretary determines is necessary to be included in establishing a fair and equitable crop acreage base; and

(6) the permitted acreage for the crop, if producers on the farm certify that no acreage on the farm was planted to the crop and forgo receiving any payments under the program established under title I for the crop.

(d) PLANTING HISTORY.—For the purpose of determining the crop acreage base or historical oilseed plantings for a crop year for any farm, the county committee, in accordance with regulations prescribed by the Secretary pursuant to this Act, may construct a planting history for the crop if—

(1) planting records for the crop for any of the 5 crop years preceding the crop year are incomplete or unavailable; or

(2) during at least 1 but not more than 4 of the 5 crop years preceding the crop year, the program crop or oilseed was not produced on the farm.

(e) ADJUSTMENTS.—The Secretary shall make adjustments to reflect crop rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable crop acreage base, including adjustments necessary to enable producers to meet the requirements of title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.).

(f) DISASTERS OR SIMILAR CONDITIONS.—If a county committee determines, in accordance with regulations prescribed by the Secretary, that the occurrence of a natural disaster or other similar condition beyond the control of the producer prevented the planting of a program crop or oilseed on any farm within the county (or substantially destroyed any such program crop or oilseed after it had been planted but before it had been harvested), the producer may plant

any other crop, including any other program crop or oilseed, on acreage of the farm that, but for the occurrence of the disaster or other condition, would have been devoted to the production of a program crop (without regard to any acreage reduction program established for the crop). For purposes of determining the normal crop acreage, the crop acreage base, or historical oilseed plantings, any acreage on the farm on which a substitute crop, including any program crop or oilseed, is planted under this subsection shall be taken into account as if the acreage had been planted to the program crop or oilseed for which the other crop was substituted.

(g) SUBSEQUENT CROP YEARS.—A producer who is eligible to receive a deficiency payment for any program crop in any crop year with respect to a farm may not use the acreage planted or considered planted to any program crop or oilseed on the farm in the crop year to increase any crop acreage base established for the farm in a subsequent crop year.

SEC. 505. PLANTING FLEXIBILITY.

(a) IN GENERAL.—The producers on a farm may, in accordance with this section, plant for harvest on the crop acreage base established for a program crop a commodity, other than the specific program crop, without suffering a reduction in the crop acreage base as a result of the production.

(b) SPECIFIED COMMODITIES.—For purposes of this section, the commodities that may be planted for harvest on a crop acreage base are—

(1) any program crop;

(2) any oilseed; and

(3) any nonprogram, nonoilseed crop.

(c) LIMITATION ON ACREAGE.—The quantity of the crop acreage base that may be planted to a commodity, other than the specific program crop, under this section may not exceed 25 percent of the crop acreage base.

(d) PLANTINGS IN EXCESS OF PERMITTED ACREAGE.—Notwithstanding any other provision of this Act, producers of a program crop shall be allowed to plant the program crop in a quantity that exceeds the permitted acreage for the crop without losing their eligibility for loans, purchases, or payments under this Act if—

(1) the acreage planted to the program crop on the farm in excess of the permitted acreage does not exceed 25 percent of the crop acreage bases on the farm for other program crops; and

(2) the permitted acreage for the other program crops produced on the farm is reduced by an amount equal to overplanting.

(e) LOAN ELIGIBILITY.—

(1) IN GENERAL.—Producers of a specific program crop (referred to in this subsection as the 'original program crop') who plant for harvest on the crop acreage base established for such original program crop another program crop in accordance with this section and who are not participants in the program established for such other program crop shall be eligible to receive loans or purchases for such other program crop on the same terms and conditions as are provided to participants in a pro-

duction adjustment program established for such other program crop.

(2) REQUIREMENTS.—Producers shall be eligible to receive loans or purchases under this subsection if the producers—

(A) plant such other program crop in an amount that does not exceed 25 percent of the crop acreage base established for the original program crop; and

(B) agree to a reduction in the permitted acreage for the original program crop for the particular crop year.

SEC. 506. FARM PROGRAM PAYMENT YIELDS.

(a) ESTABLISHMENT.—The Secretary shall provide for the establishment of a farm program payment yield for each farm for each program crop for each crop year in accordance with subsection (b) or (c).

(b) FARM PROGRAM PAYMENT YIELDS BASED ON 1990 CROP YEAR.—

(1) IN GENERAL.—If the Secretary determines that farm program payment yields shall be established in accordance with this subsection, except as provided in paragraphs (2) and (3), the farm program payment yield for each of the 1991 through 1995 crop years shall be the farm program payment yield for the 1990 crop year for the farm.

(2) ADDITIONAL YIELD PAYMENTS.—In the case of each of the 1991 through 1995 crop years for a commodity, if the farm program payment yield for a farm is reduced more than 10 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 10 percent below the farm program payment yield for the 1985 crop year.

(3) NO CROP OR YIELD AVAILABLE.—If no crop of the commodity was produced on the farm or no farm program payment yield was established for the farm for any of the 1986 through 1990 crop years, the farm program payment yield shall be established on the basis of the average farm program payment yield for the crop years for similar farms in the area.

(4) NATIONAL, STATE, OR COUNTY YIELDS.—If the Secretary determines the action is necessaary, the Secretary may establish national, State, or county program payment yields on the basis of—

(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting the yields in the historical period; or

(B) the Secretary's estimate of actual yields for the crop year involved if historical yield data is not available.

(5) BALANCING YIELDS.—If national, State, or country program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

(c) AVERAGE OF ACTUAL YIELDS DURING IMMEDIATELY PRECEDING CROP YEARS.—

(1) IN GENERAL.—If the Secretary determines that farm program payment yields shall be established in accordance with this subsection, the farm program payment yield for any program crop for any farm shall be the average of the yield per harvested acre for the crop for the farm for each of the 5 crop years immediately preceding the crop year, excluding the crop year with the lowest yield per harvested acre, and any crop year in which the crop was not planted on the farm.

(2) ACTUAL YIELDS.—For purposes of paragraph (1), the actual yield per harvested acre shall be used in determining farm program payment yields.

(3) DISASTERS OF SIMILAR CONDITIONS.—The county committee, in accordance with regulations prescribed by the Secretary, may adjust any program yield for any program crop for any farm if the program yield for the crop on the farm does not accurately reflect the productive potential of the farm because of the occurrence of a natural disaster or other similar condition beyond the control of the producer.

(d) ACTUAL YIELDS NOT AVAILABLE.—In the case of any farm for which the actual yield per harvested acre for any program crop referred to in subsection (c) for any crop year is not available, the county committee may assign the farm a yield for the crop for the crop year on the basis of actual yields for the crop for the crop year on similar farms in the area.

(e) ACTUAL YIELD DATA.—

(1) PROVISION.—The Secretary shall, under such terms and conditions as the Secretary may prescribe, allow producers to provide to county committees data with respect to the actual yield for each farm for each program crop.

(2) MAINTENANCE.—The Secretary shall maintain the data for at least 5 crop years after receipt in a manner that will permimt the data to be used, if necessary, in the administration of the commodity programs.

(3) NOTIFICATION.—The Secretary shall provide timely notification to producers of the provisions of this subsection.

(f) IRRIGATED YIELDS.—The Secretary shall not establish farm program payment yields based on yields for irrigated land, as opposed to yields for nonirrigated land, for any acreage that was not irrigated prior to the beginning of the 1991 crop year.

SEC. 507. PLANTING AND PRODUCTION HISTORY OF FARMS.

Each county committee, in accordance with regulations prescribed by the Secretary, may require any producer who seeks to establish a normal crop acreage, the crop acreage base, or farm program payment yield for a farm for a crop year to provide planting and production history of the farm for each of the 5 crop years immediately preceding the crop year.

SEC. 508. ESTABLISHMENT OF BASES AND YIELDS BY COUNTY COMMITTEES.

Each county committee may, in accordance with regulations prescribed by the Secretary, provide for the establishment of a normal crop acreage, crop acreage base, and farm program payment yield with respect to any farm administratively located within the county if the normal crop acreage, crop acreage base, or farm program pay-

ment yield cannot otherwise be established under this title. The normal crop acreages, crop acreage bases, and farm program payment yields shall be established in a fair and equitable manner, but no such bases or farm program payment yields shall be established for a farm life if the producer on the farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland.

SEC. 509. APPEALS.

The Secretary shall establish an administrative appeal procedure that provides for an administrative review of determinations made with respect to normal crop acreage, crop acreage bases, and farm program payment yields.

FOOD SECURITY ACT OF 1985

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TITLE I—DAIRY

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Subtitle E—Miscellaneous

SEC. 151. * * *
SEC. 152. * * *

DAIRY EXPORT INCENTIVE PROGRAM

SEC. 153. (a) During the period beginning 60 days after the date of enactment of this Act and ending on September 30, 1990, the Commodity Credit Corporation shall estabish and operate an export incentive program as described in this section for dairy products under section 5 of the Commodity Credit Corporation Charter Act.

(b) The program established under subsection (a) shall provide for the Corporation to make payments, on a bid basis, to an entity that sells for export United States dairy products. The Secretary shall have discretion to accept or reject bids under such criteria as the Secretary deems appropriate.

(c) The program shall be operated under such rules and regulations issued by the Secretary as the Secretary deems necessary to ensure, among other thigs, that—

(1) payments may be made under the program only on the quantity of dairy products sold by an entity for export in any year that is in addition to, and not in place of, any export sales of dairy products that the entity would otherwise make in the absence of the program; and

(2) to the extent practicable, dairy products sold for export under the program will not displace commercial export sales of United States dairy products by other exporters.

(d)(1) The regulations issued by the Secretary may provide for payments under the program to be made in cash or in commodities

of equal value that are available in Commodity Credit Corporation stock.

(2) If payments in commodities are authorized, such payments shall be made through the issuance of generic certificates redeemable in commodities.

(3) If generic certificates issued in accordance with the program provided for by this section are exchanged for dairy products owned by the Commodity Credit Corporation, the regulations issued by the Secretary shall ensure that—

(A) such dairy products, or an equal quantity or other dairy products, will be sold for export by the entity; and

(B) any such export sales by the entity—

(i) will be in addition to, and not in place of, export sales of dairy products that the entity would otherwise make under the program or in the absence of the program; and

(ii) to the extent practicable, will not displace commercial export sales of United States dairy products by other exporters.

(e)(1) The payments made under the program shall be made at a rate or rates established or approved by the Secretary, taking into consideration, among other things the type of product to be exported, the domestic price of dairy products, and world price of the dairy products.

(2) Any such rate established or approved by the Secretary shall be published in the Federal Register or publicly announced through other appropriate means, and shall be at a level or levels as will encourage the exportation of United States dairy products by entities.

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TITLE IV—FEED GRAINS

SEC. 401. * * *
SEC. 402. * * *

PRICE SUPPORT FOR CORN SILAGE

SEC. 403. (a) Notwithstanding any other provision of law, effective only for each of the 1986 through [1990] *1996* crops of feed grains, the Secretary of Agriculture may make available loans and purchases, as provided in this section, to producers on a farm who—

(1) for silage—

(A) cut corn (including mutilated corn) that the producers have produced in such crop year; or

(B) purchase or exchange corn (including mutilated corn) that has been produced in such crop year by another producer (including a producer that is not participating in an acreage limitation or set-aside program for such crop established by the Secretary); and

(2) participate in an acreage limitation or set-aside program for such crop corn establish by the Secretary.

(b) Such loans and purchases may be made on a quantity of corn of the same crop, other than the corn obtained for silage, acquired

by the producer equivalent to a quantity determined by multiplying—

(1) the acreage of corn obtained for silage; by

(2) the lower of the farm program payment yield or the actual yield on a field, as determined by the Secretary, that is similar to the field from which such silage was obtained.

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TITLE IX—SUGAR

PREVENTION OF SUGAR LOAN FORFEITURES

SEC. 902. (a) Beginning with the quota year for sugar imports which begins after the 1985/1986 quota year, the President shall use all authorities available to the President as is necessary to enable the Secretary of Agriculture to operate the sugar program established under [section 201 of the Agricultural Act of 1949] *section 206 of the Agricultural Act of 1949* at no cost to the Federal Government by preventing the accumulation of sugar acquired by the Commodity Credit Corporation.

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TITLE X—GENERAL COMMODITY PROVISIONS

PAYMENT LIMITATIONS

SEC. 1001. Notwithstanding any other provision of law:

(1) Subject to sections 1001A through 1001C for each of the [1987 through 1990 crops] *1991 through 1995 crops,* the total amount of deficiency payments (excluding any deficiency payments described in paragraph (2)(b)(iv) of this section) and land diversion payments that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for wheat, feed grains, upland cotton, extra long staple cotton, and rice may not exceed $50,000.

(2) (A) Subject to sections 1001A through 1001C for each of the [1987 through 1990 crops] *1991 through 1995 crops,* the total amount of payments set forth in subparagraph (B) that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 for wheat, feed grains, upland cotton, extra long staple cotton, rice, honey, and [(with respect to clause (iii)(II) of subparagraph (B))] other commodities, when combined with payments for such crop described in paragraph (1), shall not exceed $250,000.

(B) As used in subparagraph (A), the term "payments" means—

(i) any part of any payment that is determined by the Secretary of Agriculture to represent compensation for resource adjustment (excluding land diversion payments) or public access for recreation;

(ii) any disaster payment under one or more of the annual programs for a commodity established under the Agricultural Act of 1949;

[(iii)(I) any gain realized by a producer from repaying a loan for a crop of wheat, feed grains, upland cotton, rice, or honey at the rate permitted under section 107D(a)(5), 105C(a)(4), 103A(a)(5), 101A(a)(5),or 201(b)(2), respectively, of the Agricultural Act of 1949, or (II) any gain realized by a producer from repaying a loan for a crop of any other commodity at a lower level than the original loan level established under the Agricultural Act of 1949;]

(iii) any gain realized by a producer from repaying a loan for a crop of any commodity at a lower level than the original loan level established under the Agricultural Act of 1949;

(iv) any deficiency payment received for a crop of wheat or feed grains under [section 107D(c)(1) or 105C(c)(1)] *section 107A(c)(1) or 105A(c)(1),* respectively, of the Agricultural Act of 1949 as the result of a reduction of the loan level for such crop under [section 107D(a)(4) or 105C(a)(3)] *section 107A(a)(2)(B)(ii) or 105A(a)(2)(B)(ii)* of such Act; [(v) any loan deficiency payment received for a crop of wheat, feed grains, upland cotton, or rice under section 107D(b), 105C(b), 103A(b), or 101A(b), respectively, of the Agricultural Act of 1949; and]

(v) any loan deficiency payment received for a crop of wheat, feed grains, upland cotton, rice, or oilseeds under section 107A(b), 105A(b), 103A(b), 101A(b), or 205(e), respectively, of the Agricultural Act of 1949;

(vi) any inventory reduction payment received for a crop of wheat, feed grains, upland cotton, or rice under [section 107D(g), 105C(g), 103A(g), or 101A(g)] *section 107a(f), 105A(f), 103A(f) or 101A(f),* respectively, of the Agricultural Act of 1949. Such term shall not include loans or purchases, except as specifically provided for in this paragraph.

(c) No certificate redeemable for stocks of a commodity held by the Commodity Credit Corporation may be redeemed for honey held by the Corporation.

(3) Notwithstanding the foregoing provisions of this section, if the Secretary of Agriculture determines that any of the limitations provided for in paragraph (2) will result in a substantial increase in the number or dollar amount of loan forfeitures for a crop of a commodity, will substantially reduce the acreage taken out of production under an acreage reduction program for a crop of a commodity, or will cause the market prices for a crop of a commodity to fall substantially below the effective loan rate for the crop, the Secretary shall adjust upward such limitation, under such terms and conditions as the Secretary determines appropriate, as necessary to eliminate such adverse effect on the program involved.

(4) If the Secretary determines that the total amount of payments that will be earned by any person under the program in effect for any crop will be reduced under this section, any acreage requirement established under a set-aside or acreage limitation program for the farm or farms on which such person will be sharing in payments earned under such program shall be adjusted to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

(5)(A) The Secretary shall issue regulations—

(i) defining the term "person"; and

(ii) prescribing such rules as the Secretary determines necessary to assure a fair and reasonable application of the limitation established under this section.

Such regulations shall incorporate the provisions in subparagraphs (B) through (E) of this paragraph, paragraphs (6) and (7), and sections 1001A through 1001C.

(B)(i) For the purposes of the regulations issued under subparagraph (A), subject to clause (ii), the term "person" means—

(I) an individual, including any individual participating in a farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity (as determined by the Secretary);

(II) a corporation, joint stock company, association, limited partnership, charitable organization, or other similar entity (as determined by the Secretary), including any such entity or organization participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or as a participant in a similar entity (as determined by the Secretary); and

(III) a State, political subdivision, or agency thereof.

(ii)(I) Such regulations shall provide that the term "person" does not include any cooperative association of producers that markets commodities for producers with respect to the commodities so marketed for producers.

(II) In defining the term "person" as it will apply to irrevocable trusts and estates, the Secretary shall ensure that fair and equitable treatment is given to trusts and estates and the beneficiaries thereof.

[(iii) Such regulations shall provide that, with respect to any married couple, the husband and wife shall be considered to be one person, except that any married couple consisting of spouses who, prior to their marriage, were separately engaged in unrelated farming operations, each spouse shall be treated as a separate person with respect to the farming operation brought into the marriage by such spouse so long as such operation remains as a separate farming operation, for the purposes of the application of the limitations under this section.**]**

(iii) The regulations shall provide that, with respect to any married couple, the husband and wife shall be considered to be one person, except that, for the purpose of the application of the limitations established under this section—

(I) in the case of any married couple consisting of spouses who, prior to their marriage, were separately engaged in unrelated farming operations, each spouse shall be treated as a separate person with respect to the farming operation brought into the marriage by the spouse so long as the operation remains as a separate farming operation; and

(II) in the case of any married couple consisting of spouses who do not hold, directly or indirectly, a substantial beneficial interest in more than one entity (including the spouses themselves) engaged in farm operations that also receives farm program payments (as described in paragraphs (1) and (2)) as sepa-

rate persons, the spouses may be considered as separate persons if each spouse meets the other requirements established under this section and section 1001A to be considered as a separate person.

(C) The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 (7 U.S.C. 1307) shall be used to establish the percentage ownership of a corporation by the stockholders of such corporation for the purpose of determining whether such corporation and stockholders are separate persons under this section.

(D) Any person that conducts a farming operation to produce a crop subject to limitations under this section as a tenant that rents the land for cash (or a crop share guaranteed as to the amount of the commodity to be paid in rent) and that makes a significant contribution of active personal management but not of personal labor shall be ineligible to receive any payment specified in paragraph (1) or (2) or subtitle D of title XII with respect to such land unless the tenant makes a significant contribution of equipment used in the farming operation.

(E) The Secretary may not approve (for purposes of the application of the limitations under this section) any change in a farming operation that otherwise will increase the number of persons to which the limitations under this section are applied unless the Secretary determines that the change is bona fide and substantive. In the implementation of the preceding sentence, the addition of a family member to a farming operation under the criteria set out in section 1001A(b)(1)(B) shall be considered a bona fide and substantive change in the farming operation.

(6) The provisions of this section that limit payments to any person shall not be applicable to land owned by a public school district or land owned by a State that is used to maintain a public school.

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SEC. 1001C. FOREIGN PERSONS MADE INELIGIBLE FOR PROGRAM BENEFITS.

Notwithstanding any other provision of law:

(a) IN GENERAL.—For each of the [1989 and 1990 crops] *1991 through 1995 crops*, any person who is not a citizen of the United States or an alien lawfully admitted into the United States for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.) shall be ineligible to receive any type of production adjustment payments, price support program loans, payments, or benefits made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3831 et seq.) with respect to any commodity produced, or land set aside from production, on a farm that is owned or operated by such person, unless such person is an individual who is providing land, capital, and a substantial amount of personal labor in the production of crops on such farm.

(b) CORPORATION OR OTHER ENTITIES.—For purposes of subsection (a), a corporation or other entity shall be considered a person that is ineligible for production adjustment payments, price support pro-

gram loans, payments, or benefits if more than 10 percent of the beneficial ownership of the entity is held by persons who are not citizens of the United States or aliens lawfully admitted into the United States for permanent residence under the Immigration and Nationality Act, unless such persons provide a substantial amount of personal labor in the production of crops on such farm. Notwithstanding the foregoing provisions of this subsection, with respect to an entity that is determined to be ineligible to receive such payments, loans, or other benefits, the Secretary may make payments, loans, and other benefits in an amount determined by the Secretary to be representative of the percentage interests of the entity that is owned by citizens of the United States and aliens lawfully admitted into the United States for permanent residence under the Immigration and Nationality Act.

(c) PROSPECTIVE APPLICATION.—No person shall become ineligible under this section for production adjustment payments, price support program loans, payments or benefits as the result of the production of a crop of an agricultural commodity planted, or commodity program or conservation reserve contract entered into, before, the date of the enactment of this section.

MULTIYEAR SET-ASIDES

SEC. 1010. Notwithstanding any other provision of law:

(1) The Secretary of Agriculture may enter into multiyear set-aside contracts for a period not to extend [beyong the 1990 crops] *beyond the 1995 crops*. Such contracts may be entered into only as part of the programs in effect for the [1986 through 1990] *1991 through 1995* crops of wheat, feed grains, upland cotton, and rice, and only producers participating in one or more of such programs shall be eligible to contract with the Secretary under this section. Producers agreeing to a multiyear set-aside agreement shall be required to devote the set-aside acreage to vegetative cover capable of maintaining itself through such period to provide soil protection, water quality enhancement, wildlife production, and natural beauty. Grazing of livestock under this section shall be prohibited, except in areas of a major disaster, as determined by the President, if the Secretary finds there is a need for such grazing as a result of such disaster. Producers entering into agreements under this section shall also agree to comply with all applicable State and local laws and regulations governing noxious weed control.

(2) The Secretary shall provide cost-sharing incentives to farm operators for the establishment of vegetative cover, whenever a multiyear set-side contract is entered into under this section.

(3) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(4) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY

SEC. 1011. [Effective for the 1986 through 1990 crops of wheat and feed grains, section] *Section* 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is amended to read as follows:

DETERMINATIONS OF THE SECRETARY

SEC. 1017.

(b) The Secretary of Agriculture shall determine the rate of loans, payments, and purchases under a program established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for any of the [1986 through 1990] *1991 through 1995* crops of a commodity without regard to the requirements for notice and public participation in rulemaking prescribed in section 553 of title 5, United States Code, or in any directive of the Secretary.

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TITLE XI—TRADE

* * * * * * *

FOOD FOR PROGRESS

SEC. 1110. (a) This section may be cited as the "Food for Progress Act of 1985".

(b) In order to use the food resources of the United States more effectively in support of countries that have made commitments to introduce or expand free enterprise elements in their agricultural economics through changes in commodity pricing, marketing, input availability, distribution and private sector involvement, the President is authorized to enter into agreements with developing countries to furnish commodities made available pursuant to subsections (e) and (f) of this section. Such agreements may provide for commodities to be furnished on a multiyear basis.

(c) As used in this section, the term "commodities" means agricultural commodities and the products thereof.

(d) In determining whether to enter into an agreement with countries under this section, the President shall consider whether a potential recipient country is committed to carry out, or is carrying out, policies that promote economic freedom, private, domestic production of food commodities for domesic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities. Such policies my provide for, among other things—

(1) access, on the part of farmers in the country, to private, competitive markets for their products;

(2) market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the country's domestic needs;

(3) establishment of market-determined foreign exchange rates;

(4) timely availability of production inputs (such as seed, fertilizer, or pesticides) to farmers;

(5) access to technologies appropriate to the level of agricultural development in the country; and

(6) construction of facilities and distribution systems necessary to handle perishable products.

(e)(1) The Commodity Credit Corporation shall make available to the President such commodities determined to be available under

section 401 of the Agricultural Trade Development and Assistance Act of 1954 as the President may request for purposes of furnishing commodities under this section.

(2) Notwithstanding any other provision of law, the Commodity Credit Corporation may use funds appropriated to carry out title I of the Agricultural Trade Development and Assistance Act of 1954 in carrying out this section with respect to commodities made available under that Act.

(3) The Commodity Credit Corporation may finance the sale and exportation of commodities, made available under the Agricultural Trade Development and Assistance Act of 1954, which are furnised to a developing country under this section. Payment by a developing country for commodities made available under that Act which are purchsed on credit terms under this section shall be on the same basis as the terms provided in section 106 of that Act.

(4) In the case of commodities made available under the Agricultural Trade Development and Assistance Act of 1954 for purposes of this section, section 203 of that Act shall apply to commodities furnished on a grant basis to a developing country under this section and section 401(b) of that Act shall apply to all commodities furnished to a developing country under this section.

(f)(1) Commodities made available under section 416(b) of the Agricultural Act of 1949 for use in carrying out this section shall be provided to developing countries on a grant basis.

(2) Not less than 75,000 metric tons shall be made available pursuant to section 416(b)(10(C) of the Agricultural Act of 1949 to carry out this section unless the President determines there are an insufficient number of eligible recipients.

(3) In carrying out section 416(b) of the Agricultural Act of 1949, the Commodity Credit Corporation may purchase commodities for use under this section if—

(A) the Commodity Credit Corporation does not hold stocks of such commodities; or

(B) Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this section and such commodities are needed to fulfill such commitments.

(4) No funds of the Commodity Credit Corporation in excess of $30,000,000 (exclusive of the cost of commodities) may be used to carry out this section with respect to commodities made available under section 416(b) of the Agricultural Act of 1949 unless authorized in advance in appropriation Acts.

(5) The cost of commodities made available under section 416(b) of the Agricultural Act of 1949 which are furnished under this section, and the expenses incurred in connection with furnishing such commodities, shall be in addition to the level of assistance programmed under the Agricultural Trade Develpment and Assistance Act of 1954 and may not be considered expenditures for international affairs and finance.

(g) Not more than 500,000 metric tons of commodities may be furnished under this section in each of the fiscal years 1986 through 1990.

(h) An agreement entered into under this section shall prohibit the resale or transshipment of the commodities provided under the agreement to other countries.

(i) In entering into agreements under this section, the President shall take reasonable steps to avoid displacement of any sales of United States commodities that would otherwise be made to such countries.

[(j) Within 90 days after the end of each fiscal year in which an agreement entered into with a country under this section is in effect, the President shall report to the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural polices for long-term agricultural development in such country.]

[(k)] (*j*) In carrying out this section, the President shall, on request and subject to the availablity of commodities, approve agreements that provide for commodities to be made available for distribution or sale by recipient countries on a multi-year basis if the agreements otherwise meet the requirements of this section.

* * * * * * *

[TARGETED EXPORT ASSISTANCE

[SEC. 1124. (a) For export activities authorized to be carried out by the Secretary of Agriculture or the Commodity Credit Corporation, the Secretary of Agriculture shall use under this section, in addition to any funds or commodities otherwise required under this Act to be used for such activities, for the fiscal year ending September 30, 1986, and each of the fiscal years thereafter through September 30, 1990, not less than $325,000,000 of funds of, or an equal value of commodities owned by, the Corporation.

[(b)(1) Funds or commodities made available for use under this section shall be used by the Secretary only to counter or offset the adverse effect on the export of a United States agricultural commodity or the product there of a subsidy (as defined in paragraph (2)), import quotas, or other unfair trade practices of a foreign country

[(2) As used in paragraph (1), the term subsidy includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices.

[(c) The Secretary shall provide export assistance under this section on a priority basis in the case of—

[(1) agricultural commodities and the products thereof with respect to which there has been a favorable decision under section 301 of the Trade Act of 1974 (19 U.S.C. 2411); or

[(2) agricultural commodities and the products thereof for which exports have been adversely affected, as defined by the Secretary, by retaliatory actions related to a favorable decision under section 301 of the Trade Act of 1974.

[SHORT-TERM EXPORT CREDIT

[SEC. 1125. (a) In making available any guarantees of the repayment of credit extended on terms of up to 3 years in connection with the export sale of United States agricultural commodities or the products thereof, the Commodity Credit Corporation shall take into account—

[(1) the credit needs of countries that are potential purchasers of United States agricultural exports;

[(2) the creditworthiness of such countries; and

[(3) whether that availability of Commodity Credit Corporation guarantees will improve the competitive position of United States agricultural exports in world markets.

[(b) Effective for the fiscal year ending September 30, 1986 and each fiscal year thereafter through the fiscal year ending September 30, 1990, the Commodity Credit Corporation shall make available not less than $5,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extened to finance the export sales of United States agricultural commodities and the products thereof, including wood and processed wood products. (7 U.S.C. 1736t(b).)

[(c) Notwithstanding any other provision of law, the Secretary of Agricluture may not charge an origination fee with respect to any credit guarantee transaction under the Export Credit Guarantee Program (GSM–102) in excess of an amount equal to one perdent of the credit extended under the transaction.

[(d) For the purpose of this section, the term "wood and processed wood products" includes but is not limited to logs, lumber (boards, timber, millwork, molding, flooring, and siding), veneer, panel products (plywood, particle board, and fiberboard), utility and telephone poles, other poles and posts, railroad ties, wood pulp, and wood chips.

SEC. 1126. * * *

[DEVELOPMENT AND EXPANSION OF MARKETS FOR UNITED STATES AGRICULTURAL COMMODITIES

[SEC. 1127. (a)(1) Notwithstanding any other provisions of law, the Secretary of Agriculture (hereafter in this section referred to as the "Secretary") shall formulate and carry out a program under which agricultural commodities and the products thereof acquired by the Commodity Credit Corporation are provided to United States exporters, users, and processors and foreign purchasers at no cost to encourage the development, maintenance, and expansion of export markets for United States agricultural commodities and the products thereof, including value-added or high-value agricultural products produced in the United States.

[(2)(A) The term "agricultural commodities", as used in this section in referring to United States agricultural commodities, includes, but is not limited to—

[(i) wheat, feed grains, upland cotton, rice, soybeans, and dairy products produced in the United States;

[(ii) any other agricultural commodity produced in the United States that is determined by the Secretary of Agriculture to be in surplus supply and that can be purchased with

funds available under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935; and

[(iii) products of the commodities and products described in clauses (i) and (ii) that are processed in the United States.

[(B) United States agricultural commodities, as described in clause (ii) of subparagraph (A), may not be purchased with funds available under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935, for the sole purpose of use under the program under this section; and such commodities, or products thereof, may not be furnished to a United States user, exporter, processor, or foreign purchaser under the program under this section except by mutual agreement of such user, exporter, processor, or purchaser and the Secretary.

[(3) In carrying our paragraph (1), the Secretary may provide such commodities in order to make United States commodities more competitive and shall, to the extent necessary, provide such commodities and products—

[(A) to counter or offset—

[(i) the adverse effect on the export of a United States agricultural commodity or the product thereof of a subsidy (as defined in paragraph (4)) or other unfair trade practice of a foreign country that directly or indirectly benefits producers, processors, or exporters of agricultural commodities in such foreign country;

[(ii) the adverse effects of United States agricultural price support levels that are temporarily above the export prices offered by overseas competitors in export markets; or

[(iii) fluctuations in the exchange rate of the United States dollar against other major currencies; and

[(B) in conjunction with an intermediate export credit program conducted by the Commodity Credit Corporation—

[(i) for the export sale of breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designate points of entry in other nations; and

[(ii) for the establishment of facilities in the importing nation to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities (through the use of local currency generated from the import and sale of United States agricultural commodities or the products thereof to finance all or part of such facilities.)

[(4) As used in paragraph (3)(A)(i), the term "subsidy" includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of pruduction, processing, or distribution, a differential export tax or duty, exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices.

[(b) In carrying out the program established by this section, the Secretary of Agriculture—

[(1) shall take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodities and the products thereof in any case in which the importation of a manufactured product made, in whole or in part, from a commodity or the product thereof made available for export under this section would place domestic users of the commodity or the product thereof at a competitive disadvantage;

[(2) may consider for participation all interested United States exporters, processors, and users and interested foreign purchasers, and may give priority to sales to countries that have traditionally purchased United States agricultural commodities and products;

[(3) shall encourage increased use and avoid displacing usual marketings of United States agricultural commodities and the products thereof;

[(4) shall take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, or agricultural commodities or the products thereof the export of which is assisted under this seciton; and

[(5) may provide to a United States exporter, user, processor, or foreign purchaser, under the program, agricultural commodities of a kind different than the agricultural commodity involved in the transaction for which assistance under this section is being provided.

[(c)(1) If the country does not meet the financial qualifications for export credit or credit guarantees provided by the Commodity Credit Corporation, the Secretary may provide to such country agricultural commodities and the products thereof acquired by the Corporation to the extent necessary to reduce the cost to such country of purchasing United States agricultural commodities and to allow such country to meet such qualifications.

[(2) The Secretary shall review and adjust annually the quantity of commodities provided to a country under paragraph (1) in order to encourage such country to place greater reliance on increased use of commercial trade to meet the qualifications referred to in paragraph (1).

[(d)(1) In carrying out this section, the Secretary may make green dollars export certificates available to commercial exporters of United States agricultural commodities and the products thereof.

[(2) The Secretary shall make such certificates available under such terms and conditions as the Secretary determines appropriate.

[(3) The amount of such certificates to be made available to an exporter may be determined—

[(A) on the basis of competitive bids submitted by exporters; or

[(B) by announcement of the Secretary.

[(4)(A) An exporter may redeem a green dollar export certificate for commodities owned by the Commodity Credit Corporation.

[(B) For purposes of redeeming such certificates, the Secretary may establish values for such commodities that are different than the acquisition prices of such commodities.

[(d) Such certificates—

[(A) may be transferred among commercial exporters of United States agricultural commodities; and

[(B) shall be redeemed within 6 months after the date of issuance.

[(e) The Secretary of Agriculture shall carry out the program established by this section through the Commodity Credit Corporation. (7 U.S.C. 1736v(e).)

[(f) Any price restrictions that otherwise may be applicable to dispositions of agricultural commodities owned by the Commodity Credit Corporation shall not apply to agricultural commodities provided under this section.

[(g) The program established under this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law. (7 U.S.C. 1736v(g).)

[(h) The authority provided under this section shall terminate on September 30, 1990. (7 U.S.C. 1736v(h).)

[(i) During the period beginning October 1, 1985, and ending September 30, 1990, the Secretary shall use agricultural commodities and the products thereof referred to in subsection (a) to carry out this section, except that the value of the commodities and products may not be less than $1,000,000,000, nor more than $2,500,000,000. To the maximum extent practicable, such commodities shall be used in equal amounts during each of the years in such period.

[POULTRY, BEEF AND PORK MEATS AND MEAT-FOOD PRODUCTS, EQUITABLE TREATMENT

[SEC. 1128. In the case of any program operated by the Secretary of Agriculture during the years 1986 through 1989, for the purpose of encouraging or enhancing commercial sales in foreign export markets of agricultural products or communities produced in the United States, which program includes the payment of a bonus or incentive (in cash, commodities, or other benefits) provided to the purchaser, the Secretary shall seek to expend annually at least 15 per centum of the total funds available (or 15 per centum of the value of any commodities employed to encourage such sales) for program activities to likewise encourage and enhance the export export sales of poultry, beef or pork meat and other products.]

* * * * * * *

[AGRICULTURAL ATTACHÉ REPORTS

[SEC. 1132. (a) The Secretary of Agriculture shall require appropriate officers and employees of the Department of Agriculture, including those stationed in foreign countries, to prepare and submit annually to the Secretary detailed reports that—

[(1) document the nature and extent of—

[(A) programs in such countries that provide direct or indirect government support for the export of agricultural commodities and the products thereof; and

[(B) other trade practices that may impede the entry of United States agricultural commodities and the products thereof into such countries; and

[(2) identify opportunities for the export of United States agricultural commodities and the products thereof to such countries.

[(b) The Secretary shall annually compile the information contained in such reports and make such information available to Congress, the Agricultural Policy Advisory Committee and the agricultural technical advisory committees established under section 135 of the Trade Act of 1974 (19 U.S.C. 2155), and other interested parties.

[(c) The United States Trade Representative shall—

[(i) review the reports prepared under subsection (a) and any other information available to identify export subsidies or other export enhancing techniques (within the meaning of the agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade);

[(2) identify markets (in order of priority) in which United States export subsidies can be used most efficiently and will have the greatest impact in offsetting the benefits of foreign export subsidies that—

[(A) harm United States exports,

[(B) are inconsistent with the Argeement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade,

[(C) nullify or impair benefits accruing to the United States under international agreements, or

[(D) causes serious prejudice to the interests of the United States and

[(3) submit to the Congress and to the Secretary of Agriculture an annual report on—

[(A) the existence and status of export subsidies and other export enhancing techniques that are the subject of the investigation conducted under paragraph (l), and

[(B) the identification and assignment of priority to markets under paragraph (2).

[(d) The Secretary and the United States Trade Representative shall convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for actions to be taken by the Federal Government and private industry to—

[(1) reduce or eliminate trade barriers or distortions identified in the annual reports required to be submitted under subsections (a) and (c); and

[(2) expand United States agricultural export opportunities identified in such annual reports.]

* * * * * * *

Subtitle D—Agricultural Imports

[TRADE CONSULTATIONS

[SEC. 1151. (a) The Secretary of Agriculture shall require consultation between the Administrator of the Foreign Agricultural Service and the heads of other appropriate agencies and offices of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on the importation of any agricultural commodity or a product thereof into the United States.

[(b) The Secretary shall consult with the United States Trade Representative before relaxing or removing any restriction on the importation of any agricultural commodity or a product thereof into the United States.]

* * * * * * *

[ASSESSMENT OF EXPORT DISPLACEMENT

[SEC. 1162. (a) The Secretary of Agriculture shall assess each program, project, or activity administered by the Secretary or the Department of Agriculture that—

[(1) provides assistance for establishing, expending, or facilitating the production, marketing, or use of any agricultural commodity in a foreign country; and

[(2) the Secretary determines is likely to have a detrimental impact on efforts to promote the export of United States agricultural commodities;

in order to determine if such program, project, or activity is likely to have such a detrimental impact.

[(b) The Secretary shall provide the results of the assessment required under subsection (a)—

[(1) in the case of current programs, projects, or activities, in a report made to the Congress not later than one year from the date of enactment of this section; and

[(2) in the case of programs, projects, or activities undertaken after the date of enactment of this section, on a regular basis.]

EXPORT SALES OF DAILY PRODUCTS

SEC. 1163. (a) In each of the fiscal years 1986 through [1990] *1995*, the Secretary of Agriculture shall sell for export, at such prices as the Secretary determines appropriate, not less than 150,000 metric tons of dairy products owned by the Commodity Credit Corporation, of which not less than 100,000 metric tons shall be butter and not less than 20,000 metric tons shall be cheese, if that disposition of such commodities will not interfere with the usual marketings of the United States nor disrupt world prices of agricultural commodities and normal patterns of commercial trade.

(b) Such sales shall be made through the Commodity Credit Corporation under existing authority available to the Secretary or the Commodity Credit Corporation.

(c) Through September 30, [1990] *1995*, the Secretary shall report semi-annually to the Committee on Agriculture of the House

of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the volume of sales made under this section.

* * * * * * *

[BARTER OF AGRICULTURAL COMMODITIES FOR STRATEGIC AND CRITICAL MATERIALS

[SEC. 1167. (a) Congress that—

[(1) the Commodity Credit Corporation, the General Services Administration, and the Department of Agriculture have authority to barter or exchange agricultural commodities of strategic and critical materials for the national defense stockpile;

[(2) from 1950 to 1973, the Department of Agriculture conducted a highly successful barter program using agricultural commodities to acquire strategic and critical materials;

[(3) private commercial firms in the United States have entered into effective barter agreements with foreign governments or private parties in foreign countries to barter or exchange commodities and services to supplement customary commercial transactions in international markets;

[(4) barter can be an effective secondary method of reducing excess supplies of agricultural commodities and adding needed strategic and critical materials to the national defense stockpile;

[(5) barter can be used to help overcome certain currency exchange and balance-of-trade problems and to develop new markets for United States agricultural products;

[(6) barter can be used to promote United States foreign policy interests; and

[(7) several nations are potential partners in a revival of a coherent and well-managed government barter program.]

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TITLE XII—CONSERVATION

Subtitle A—Definitions

DEFINITIONS

SEC. 1201. (a) For purposes of subtitles A through E:

(1) The term "agricultural commodity" means—

[(A) any agricultural commodity planted and produced in a State by annual tilling of the soil, including tilling by one-trip planters; or]

(A) any agricultural commodity planted (or considered planted under an acreage reduction program authorized by title I of the Agricultural Act of 1949) and produced in a State by annual tilling of the soil, including tilling by one-trip planters; or

(B) sugarcane planted and produced in a State.

(2) The term "conservation district" means any district or unit of State or local government formed under State or terri-

torial law for the express purpose of developing and carrying out a local soil and water conservation program. Such district or unit of government may be referred to as a "conservation district", "soil conservation district", "soil and water conservation district", "resource conservation district", "natural resource district", "land conservation committee", or a similar name.

(3) The term "cost sharing payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing highly erodible cropland under the provisions of section 1234(b) of this Act.

(4)(A) The term "converted wetland" means wetland that has been drained, dredged, filled, leveled, or otherwise manipulated (including any activity that results in impairing or reducing the flow, circulation, or reach of water) for the purpose or to have the effect of making the production of an agricultural commodity possible if—

(i) such production would not have been possible but for such action; and

(ii) before such action—

(I) such land was wetland; and

(II) such land was neither highly erodible land nor highly erodible cropland.

(B) Wetland shall not be considered converted wetland if production of an agricultural commodity on such land during a crop year—

(i) is possible as a result of a natural condition, such as drought; and

(ii) is not assisted by an action of the producer that destroys natural wetland characteristics.

(5) The term "field" means such term as is defined in section 718.2(b)(9) of title 7 of the Code of Federal Regulations (as of January 1, 1985), except that any highly erodible land on which an agricultural commodity is produced after the date of enactment of this Act and that is not exempt under section 1212 shall be considered as part of the field in which such land was included on such date, unless the Secretary permits modification of the boundaries of the field to carry out subtitles A through E.

(6) The term "highly erodible cropland" means highly erodible land that is in cropland use, as determined by the Secretary.

(7)(A) The term "highly erodible land" means land—

(i) that is classified by the Soil Conservation Service as class IV, VI, VII, or VIII land under the land capability classification system in effect on the date of the enactment of this Act; or

(ii) that has, or that if used to produce an agricultural commodity, would have an excessive average annual rate of erosion in relation to the soil loss tolerance level, as established by the Secretary, and as determined by the Secretary through application of factors from the universal soil loss equation and the wind erosion equation, including factors for climate, soil erodibility, and field slope.

(B) For purposes of this paragraph, the land capability class or rate of erosion for a field shall be that determined by the Secretary to be the predominant class or rate of erosion under regulations issued by the Secretary.

(8) The term "hydric soil" means soil that, in its undrained condition, is saturated, flooded, or ponded long enough during a growing season to develop an anaerobic condition that supports the growth and regeneration of hydrophytic vegetation.

(9) The term "hydrophytic vegetation" means a plant growing in—

(A) water; or

(B) a substrate that is at least periodically deficient in oxygen during a growing season as a result of excessive water content.

(10) The term "in-kind commodities" means commodities that are normally produced on land that is the subject of an agreement entered into under subtitle D.

(11) The term "rental payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing highly erodible cropland to compensate the owner or operator for retiring such land from crop production and placing such land in the conservation reserve in accordance with subtitle D.

(12) The term "Secretary" means the Secretary of Agriculture.

(13) The term "shelterbelt" means a vegetative barrier with a linear configuration composed of trees, shrubs, and other approved perennial vegetation.

(14) The term "State" means each of the 50 State, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(15) The term "vegetative cover" means—

(A) perennial grasses, legumes, forbs, or shrubs with an expected life span of 5 or more years; or

(B) trees.

(16) The term "wetland", except when such term is part of the term "converted wetland", means land that has a predominance of hydric soils and that is inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances does support, a prevalence of hydrophytic vegetation typically adapted for life in saturated soil conditions. For purposes of this Act, and any other Act, this term shall not include lands in Alaska identified as having high potential for agricultural development which have a predominance of permafrost soils.

(b) The Secretary shall develop—

(1) criteria for the identification of hydric soils and hydrophytic vegetation; and

(2) lists of such soils and such vegetation.

(c) The term "conservation reserve program" as used in this or any other Act shall be considered to mean the environmental conservation acreage program established under subtitle D.

Subtitle B—Highly Erodible Land Conservation

PROGRAM INELIGIBILITY

SEC. 1211. Except as provided in section 1212, and notwithstanding any other provision of law, following the date of enactment of this Act, any person who in any crop year produces an agricultural commodity on a field on which highly erodible land is predominante shall be ineligible for—

(1) as to any commodity produced during that crop year by such person—

(A) any type of price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(B) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

(C) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(D) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or

(E) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose that will contribute to excessive erosion of highly erodible land; or

(2) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

EXEMPTIONS

SEC. 1212. (a)(1) During the period beginning on the date of enactment of this Act and ending on the later of January 1, 1990, or the date that is 2 years after the date land on which a crop of an agricultural commodity is produced was mapped by the Soil Conservation Service for purposes of classifying such land under the land capability classification system in effect on the date of enactment of this Act, except as provided in paragraph (2), no person shall become ineligible under section 1211 for program loans, payments, and benefits as the result of this production of a crop of an agricultural commodity on any land that was—

(A) cultivated to produce any of the 1981 through 1985 crops of an agricultural commodity; or

(B) set aside, diverted or otherwise not cultivated under a program administered by the Secretary for any such crops to reduce production of an agricultural commodity.

(2) If, as of January 1, 1990, or 2 years after the Soil Conservation Service has completed a soil survey for the farm, whichever is later, a person is actively applying a conservation plan that documents the decisions of the persons with respect to location, land use, tillage systems, and conservation treatment measures and

schedule and that is based on the local Soil Conservation Service technical guide and approved by the local soil conservation district, in consultation with the local committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) and the Secretary, or by the Secretary, such person shall have until January 1, 1995, to comply with the plan without being subject to program ineligibility. In carrying out this subsection, the Secretary, Soil Conservation Service, and local soil conservation districts shall minimize the quantity of documentation a person must submit to comply with this paragraph.

(3) With respect to any person who owns or operates highly erodible land that was the subject of a contract entered into under subtitle D, such person shall have until 2 years after the expiration of such contract to comply with a conservation plan established under this subtitle for such land before such person will be subject to program ineligibility with respect to such land under section 1211, if the conservation plan requires structures to be constructed.

(b) No person shall become ineligible under section 1211 for program loans, payments, and benefits as the result of the production of a crop of an agricultural commodity—

(1) planted before the date of enactment of this Act;

(2) planted during any crop year beginning before the date of enactment of this Act;

(3) on highly erodible land in an area—

(A) within a conservation district, under a conservation system that has been approved by a conservation district after the district has determined that the conservation system is in conformity with technical standards set forth in the Soil Conservation Service technical guide for such district; or

(B) not within a conservation district, under a conservation system determined by the Secretary to be adequate for the production of such agricultural commodity on any highly erodible land subject to this title; or

(4) on highly erodible land that is planted in reliance on a determination by the Soil Conservation Service that such land was not highly erodible land, except that this paragraph shall not apply to any agricultural commodity that was planted on any land after the Soil Conservation Service determines that such land is highly erodible land; or

(5) on highly erodible land planted to alfalfa during each of the 1981 through 1985 crop years as part of a rotation practice approved by the Secretary, if the person has submitted a conservation plan based on the local Soil Conservation Service technical guide and approved by the local soil conservation district, in consultation with the local committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) and the Secretary, such person shall have until June 1, 1988, to comply with the plan without being subject to program ineligibility under section 1211.

(c) Section 1211 shall not apply to a loan described in section 1211 made before the date of enactment of this Act.

(d) If a tenant is determined to be ineligible for payments and other benefits under section 1211, the Secretary may limit such in-

eligibility only to the farm which is the basis for such ineligibility determination if—

(1) the tenant has established to the satisfaction of the County Committee that—

(A) the tenant has made a good faith effort to meet the requirements of section 1212, including gaining the assistance of the Secretary to obtain a reasonable conservation compliance plan for such farm; and

(B) the landlord refuses to comply with such plan on such farm; and

(2) the County Committee determines that such lack of compliance is not a part of a scheme or device to avoid such compliance.

The county committee shall provide an annual report to the Secretary concerning the ineligibility determinations affected during the previous 12-month period by this subsection.

(e) The Secretary, in providing assistance to an individual in the preparation or revision of a conservation plan under this section, shall provide such individual with information concerning all cost effective and applicable erosion control measures that may be available to such individual to meet the requirements of this section.

(f) The Secretary shall collect and maintain, on a national and State by State basis, information and data concerning the resource, economic, and environmental consequences of the assistance and applications provided under this section.".

(g) Section 1211 shall not apply to the non-commercial production of agricultural commodities on a farm if such production is limited to two acres or less.

SOIL SURVEYS

SEC. 1213. The Secretary shall, as soon as is practicable after the date of enactment of this Act, complete soil surveys on those private lands that do not have a soil survey suitable for use in determining the land capability class for purposes of this subtitle. In carrying out this section, the Secretary shall, insofar as possible, concentrate on those localities where significant amounts of highly erodible land are being converted to the production of agricultural commodities.

Subtitle C—Wetland Conservation

PROGRAM INELIGIBILITY

SEC. 1221. Except as provided in section 1222 and notwithstanding any other provision of law, following the date of enactment of [this Act, any person who in any crop year produces an agricultural commodity on converted wetland shall be ineligible for—] *this Act, any person who in any crop year produces an agricultural commodity on converted wetland or who converts (subsequent to the date of enactment of the Food, Agriculture, Conservation and Trade Act of 1990) a wetland for the purpose, or that has the effect, of making the production of an agricultural commodity possible on such converted wetland during a crop year shall be ineligible for—*

(1) as to any commodity produced during that crop year by such person—

(A) any type of price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(B) a farm storage facility loan made under section 4(h); of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

(C) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(D) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or

(E) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose that will contribute to conversion of wetlands (other than as provided in this subtitle) to produce an agricultural commodity; or

(2) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

EXEMPTIONS

SEC. 1222. (a) No person shall become ineligible under section 1221 for program loans, payments, and benefits as the result of the production of a crop of an agricultural commodity on—

(1) converted wetland if the conversion of such wetland was commenced before the date of enactment of this Act;

(2) an artificial lake, pond, or wetland created by excavating or diking non-wetland to collect and retain water for purposes such as water for livestock, fish production, irrigation (including subsurface irrigation), a settling basin, cooling, rice production, or flood control;

(3) a wet area created by a water delivery system, irrigation, irrigation system, or application of water for irrigation; or

(4) wetland on which production of an agricultural commodity is possible as a result of a natural condition, such as drought, and without action by the producer that destroys a natural wetland characteristic.

(b) Section 1221 shall not apply to a loan described in section 1221 made before the date of enactment of this Act.

[(c) The Secretary may exempt a person from section 1221 for any action associated with the production of an agricultural commodity on converted wetland if the effect of such action, individually and in connection with all other similar actions authorized by the Secretary in the area, on the hydrological and biological aspect of wetland is minimal.]

(c)(1) The Secretary shall exempt a person from the ineligiblity provisions of section 1221 for any action associated with the produc-

tion of an agricultural commodity on a converted wetland, or the conversion of a wetland, if, as determined by the Secretary—

(A) such action, individually and in connection with all other similar actions authorized by the Secretary in the area, will have a minimal effect on the functional hydrological and biological value of the wetland, including the value to waterfowl and wildlife; or

(B) such wetland has been frequently cropped prior to the date of such action and the wetland values, acreage, and functions are mitigated by the producer through the restoration of a prior converted wetland that shall—

(i) occur in advance of, or concurrently with, such actions according to a restoration plan;

(ii) not be at the expense of the Federal Government;

(iii) be made on not more than a one for one acreage basis unless more acreage is needed to provide equivalent functions and values that will be lost as a result of the wetland conversion;

(iv) be on lands in the same general area of the local watershed as the converted wetland; and

(v) be subject to an agreement by the producer to protect such restored wetland as a wetland or, if the restored wetland is not located on the property of the producer, be recorded on the deed, for as long as the converted wetland remains in cropland, or is not returned to its original wetland classification.

(2)(A) Determinations and the development of restoration plans under paragraph (1) shall be made through an agreement of the local representative of the Soil Conservation Service and a representative of the Fish and Wildlife Service. If an agreement cannot be reached at the local level under the preceding sentence, such determinations will be referred to the State Conservationist, who in making a determination under this paragraph, shall consult with a representative of the Fish and Wildlife Service.

(B) The State Conservationist and the representative of the Fish and Wildlife Service referred to in subparagraph (A) shall report to their respective national offices concerning all determination made under subparagraph (A) at the State level as a result of an agreement not being reached at the local level.

(3) The Secretary shall conduct such monitoring activities as are necessary to ensure the success and effectiveness of the wetland restoration efforts under paragraph (1)(B).

(d)(1) Except to the extent provided in paragraph (2), no person shall become ineligible under section 1221 for program loans, payments, and benefits as the result of the conversion of a wetland, or the production of an agricultural commodity on a converted wetland, subsequent to the date of enactment of this subsection, if—

(A) such person, under an agreement entered into with the Secretary, agrees to fully restore the converted wetland to its prior wetland state; and

(B) the Secretary determines that—

(i) the person has not violated the provisions of section 1221 more than one time in any 10-year period on a farm; and

(ii) such person converted a wetland, or produced an agricultural commodity on a converted wetland, in good faith and without the intent to violate the provisions of section 1221.

(2) If the Secretary determines that a person who has failed to comply with the provisions of section 1221 meets the requirements of paragraph (1), the Secretary shall, in lieu of applying the ineligibility provisions in section 1221, reduce by not less than $750 nor more than $10,000, (depending on the seriousness of the violation) program benefits described in section 1221, that such producer would otherwise be eligible to receive in a crop year.

(e) Any person who is determined to be ineligible for program benefits under section 1221 for any crop year shall not be ineligible for such program benefits under such section for any subsequent crop year if, prior to the beginning of such subsequent crop year, the person restores the converted wetland to its prior wetland state.

(f)(1) Determinations and the development of restoration plans under this section shall be made through an agreement of the local representative of the Soil Conservation Service and a representative of the Fish and Wildlife Service. If an agreement cannot be reached at the local level under the preceding sentence, such determinations will be referred to the State Conservationist, who in making a determination under this paragraph, shall consult with a representative of the Fish and Wildlife Service.

(2) The State Conservationist and the representative of the Fish and Wildlife Service referred to in paragraph (1) shall report to their respective national offices concerning all determination made under paragraph (1) at the State level as a result of an agreement not being reached at the local level.

(3) The Secretary shall conduct such monitoring activities as are necessary to ensure the success and effectiveness of the wetland restoration efforts under this section.

CONSULTATION WITH SECRETARY OF THE INTERIOR

SEC. 1223. The Secretary shall consult with the Secretary of the Interior on such determinations and actions as are necessary to carry out this subtitle, including—

(1) the identification of wetland;

(2) the determination of exemptions under section 1222; and

(3) the issuance of regulations under section 1244 to carry out this subtitle.

Subtitle D—[Conservation Reserve] *Conservation Stewardship Program*

CHAPTER 1—GENERAL PROVISIONS

SEC. 1230. CONSERVATION STEWARDSHIP PROGRAM.

(A) ESTABLISHMENT.—During the 1991 through 1995 crop years, the Secretary shall, in accordance with this subtitle, establish a con-

servation stewardship program and implement such program through contracts and the acquisition of easements to assist owners and operators of highly erodible lands, other fragile lands (including land with associated ground or surface water that may be vulnerable to contamination), and wetlands in conserving and improving the soil and water resources of the farms or ranches of such owners and operators.

(b) NUMBER OF ACRES.—In carrying out the conservation stewardship program the Secretary shall enter into contracts with owners and operators and acquire easements from owners as provided for in chapters 2 and 3, to place in the conservation reserve established under chapter 2 and the wetland reserve established under chapter 3 during the 1986 through 1995 crop years, a total of not less than 40,000,000 nor more than 50,000,000 acres. The Secretary, in determining whether to placed acreage into the conservation stewardship program in excess of 40,000,000 acres shall take into consideration commodity prices and reserves, natural disasters, export market opportunities, and other factors relating to the maintenance of an adequate supply of commodities necessary to meet domestic and export requirements, and to maintain adequate reserves.

(c) IMPLEMENTATION.—The Secretary shall carry out the conservation stewardship program established under subsection (a) through the environmental conservation acreage reserve program and the wetland reserve program established in chapters 2 and 3, respectively. Acreage enrolled into the conservation reserve under chapter 2 prior to the date of enactment of this chapter shall be considered to be land placed in the conservation stewardship program established under subsection (a) for the purposes of this chapter.

(d) COUNTY LIMITATION.—The Secretary shall not place more than 25 percent of the cropland in any one county (excluding acreage subject to a contract under the water quality incentives program under chapter 4) into the conservation stewardship program established under subsection (a), except that the Secretary may exceed this limitation in a county to the extent that the Secretary determines that such action would not adversely affect the local economy of such county. The limitation established under this subsection shall not apply to cropland that is being used for the establishment of shelterbelts and windbreaks.

(e) WATER QUALITY INCENTIVE ACREAGE.—

(1) IN GENERAL.—Acreage that is subject to a contract under the water quality incentives program under chapter 4 shall be considered to be acreage enrolled into the Conservation Stewardship Program in an amount determined by dividing the amount of the acreage that is subject to such contract by the value determined under paragraph (2).

(2) RATIO.—For the purposes of calculating the value referred to in paragraph (1), the Secretary shall determine the average cost per acre of entering land into the environmental conservation acreage reserve program and divide such amount by the incentive payment per acre that is applicable to the land that is subject to contract under the water quality incentives program under chapter 4.

(3) LIMITATION.—With respect to the 1991 and subsequent crop years, a total of not more than 1,000,000 acres, as deter-

mined under paragraphs (1) and (2), may be considered as acreage enrolled into the Conservation Stewardship Program for the purposes of subsection (b). Not more than an additional 1,000,000 acres, as determined under paragraphs (1) and (2), may be considered as acreage enrolled into the Conservation Stewardship Program with respect to the 1995 and subsequent crop years if the Secretary determines that such acreage is not needed under the environmental conservation acreage reserve program to meet the erosion or other objectives of this subtitle, as determined by the Secretary.

CHAPTER 2—ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM

[CONSERVATION RESERVE] *ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM*

SEC. 1231. (a) During the 1986 through [1990] *1995* crop years, the Secretary shall formulate and carry out a [conservation reserve program] *environmental conservation acreage reserve program,* in accordance with [this subtitle] *chapter 2 of subtitle D,* through contracts to assist owners and operators of highly erodible cropland in conserving and improving the soil and water resources of their farms or ranches.

(b) The Secretary shall enter into contracts with owners and operators of farms and ranches containing highly erodible cropland to place in the conservation reserve—

(1) during the 1986 crop year, not less than 5, nor more than 45, million acres;

(2) during the 1986 through 1987 crop years, a total of not less than 15, nor more than 45, million acres;

(3) during the 1986 through 1988 crop years, a total of not less than 25, nor more than 45, million acres;

(4) during the 1986 through 1989 crop years, a total of not less than 35, nor more than 45, million acres; and

[(5) during the 1986 through 1990 crop years, a total of not less than 40, nor more than 45, million acres.]

(5) during the 1986 through 1995 crop years, an amount of acreage that will enable the Secretary to meet the acreage goals established in section 1230.

(c)(1)(A) Notwithstanding subsection (b), effective for each of the fiscal years 1986 through 1989, the Secretary may reduce by up to 25 percent the number of acres of highly erodible land required to be placed under contract during each fiscal year if the Secretary determines that the rental payments to be made under section 1233(b) of such acres are likely to be significantly lower in the succeeding year.

(B) Paragraph (A) shall not affect the requirements of paragraph (5) of subsection (b).

(2) The Secretary may include in the program established under this [subtitle] *chapter 2 of subtitle D,* lands that are highly erodible lands but that pose an off-farm envionmental threat or, if permitted to remain in production, pose a threat of continued degradation of productivity due to soil salinity.

[(d) Under the program established under this subtitle, the Secretary shall not place under contract more than 25 percent of the cropland in any one county, except that the Secretary may exceed the limitation established by this subsection in a county to the extent that the Secretary determines that such action would not adversely affect the local economy of such county.]

(d) Notwithstanding the 25 percent limitation described in section 1230(d), the Secretary shall permit the amount of acreage placed under contract under this chapter to exceed the 25 percent county limit to the extent the Secretary determines that producers in such county are having severe difficulty in meeting existing conservation and environmental requirements. In making a determination under this subsection, the Secretary shall not require the written consent of a member of Congress.

(e) For the purpose of carrying out this [subtitle,] *chapter 2 of subtitle D* the Secretary shall enter into contracts of not less than 10, nor more than 15, years. *In the case of land devoted to hardwood trees, shelterbelts, or windbreaks under a contract entered into under this chapter after October 1, 1990, and land devoted to such uses under contracts modified under section 1235A, the owner or operator of such land may, within the limitations prescribed under this section, specify the duration of the contract. The Secretary may, in the case of land that is devoted to hardwood trees under a contract entered into under this chapter prior to October 1, 1990, extend such contract for not to exceed 5 years, as agreed to by the owner or operator of such land and the Secretary.*

(f) For the purpose of this [subtitle,] *chapter 2 of subtitle D* alfalfa and other multi-year grasses and legumes in a rotation practice, approved by the Secretary, shall be considered agricultural commodities.

(g)(1) The Secretary shall enter into contracts with owners and operators to place in the conservation reserve established under this section, land that is not otherwise eligible to be placed in such reserve to the extent that such land will be used as a shelterbelt, windbreak, permanent contoured grass strips or for some other similar purpose to avoid or mitigate—

(A) soil loss on highly erodible cropland; or

(B) an on-farm or off-farm environmental threat.

(2) To place land that will be used as a shelterbelt or windbreak into the conservation reserve under this subsection, the owner or operator of such land shall enter into an agreement to provide a conservation easement to the Secretary for the useful life of such shelterbelt or windbreak.

(h) The Secretary shall enter into contracts with owners and operators to place in the conservation reserve established under this section, land that is pastureland and that is environmentally sensitive, economically marginal and sustainable for tree planting, and that is not otherwise eligible to be placed in the reserve, if such land will be devoted to trees subsequent to the enrollment of such lands in the reserve. Land placed into the conservation reserve under this subsection shall not be eligible for cost share assistance under any other Federal program. The Secretary may establish a reasonable limit on the number of acres per farm that are eligible to be placed into the conservation reserve under this subsection.

(i)(1) The Secretary shall enter into contracts with owners and operators to place in the conservation reserve established under this section, land that is not otherwise eligible to be placed in the reserve, if the Secretary, in consultation with the Chief of the Soil Conservation Service determines that placing such land into the conservation reserve will ameliorate or prevent an on-farm or off-farm threat to water quality.

(2) Land that shall be eligible to be placed in the conservation reserve under paragraph (1) shall include—

(A) cropland that is within a State approved wellhead protection area, under a State wellhead protection program submitted under section 1428 of the Safe Drinking Water Act (42 U.S.C. 300h–7), or not more than 1,000 feet from a public well;

(B) cropland that is in shallow Karst topography areas where sinkholes convey run-off water directly into ground water;

(C) critical cropland areas within hydrologic units identified in a plan submitted by the State under section 319 of the Federal Water Pollution Control Act (33 U.S.C. 1329) as having priority problems that result from agricultural nonpoint sources; and

(D) cropland areas where agricultural nonpoint sources have been determined to pose a significant threat to habitat utilized by threatened and endangered species.

(3) In determining other lands that should be considered eligible to be placed in the conservation reserve under this subsection, the Secretary shall take into consideration—

(A) the benefit to be derived from using filter strips on such land; and

(B) such other factors that the Secretary determines to be appropriate in evaluating the costs and benefits of achieving water quality improvements.

(4) Land enrolled in the enviornmental conservation acreage reserve program under this subsection shall not be taken into consideration in applying the limitiation established under section 1230(d) for any county if the Secretary determines that the potential risk to water quality posed by the continued cropping of such land outweighs the adverse impact that removing such land from production would have on the local economy.

(5) Land may not be enrolled in the environmental conservation acreage reserve program in accordance with this subsection unless the Secretary determines that water quality objectives with respect to such land cannot be achieved under the water quality incentives program established under chapter 4.

(j) On the expiration of a contract entered into under this chapter, the provisions of section 1212 shall apply to the acreage that was the subject of such contract.

DUTIES OF OWNERS AND OPERATORS

SEC. 1232. (a) Under the terms of a contract entered into under this [subtitle] *chapter 2 of subtitle D* during the term of such contract, an owner or operator of a farm or ranch must agree—

(1) to implement a plan approved by the local conservation district (or in an area not located within a conservation district, a plan approved by the Secretary) for converting highly

erodible corpland normally devoted to the production of an agricultural commodity on the farm or ranch to a less intensive use (as definded by the Secretary), such as pasture, permanent grass, legumes, forbs, shrubs, or trees, substantially in accordance with a schedule outlined in the plan;

(2) to place highly erodible cropland subject to the contract in the conservation reserve established under this [subtitle;] *chapter 2 of subtitle D;*

(3) not to use such land for agricultural purposes, except as permitted by the Secretary;

(4) to establish approved vegetaive cover on such land;

(5) on the violation of a term or condition of the contract at any time the owner or operator has control of such land—

(A) to forfeit all rights to receive rental payments and cost sharing payments under the contract and to refund to the Secretary any rental payments and cost sharing payments received by the owner or operator under the contract, together with interest thereon as determined by the Secretary, if the Secretary, after considering the recommendations of the soil conservation district and the Soil Conservation Service, determines that such violation is of such nature as to warrant termination of the contract; or

(B) to refund to the Secretary, or accept adjustments to the rental payments and cost sharing payments provided to the owner or operator, as the Secreaty considers appropriate, if the Secretary determines that such violation does not warrant termination of the contract;

(6) on the transfer of the right and interest of the owner or operator in land subject to the contract—

(A) to forfeit all rights to rental payments and cost sharing payments under the contract; and

(B) to refund to the United States all rental payments and cost sharing payments received by the owner or operator, or accept such payment adjustments or make such refunds as the Secretary considers appropriate and consistent with the objectives of this [subtitle,] *chapter 2 of subtitle D,* unless the transferee of such land agrees with the Secretray to assume all obligations of the contract;

(7) not to conduct any harvesting or grazing, nor otherwise make commercial use of the forage, on land that is subject to the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, except that the Secretary may permit harvesting or grazing or other commerical use of the forage on land that is subject to the contract in response to a drought or other similar emergency;

(8) not to conduct any planting of trees on land that is subject to the contract unless the contract specifies that the harvesting and commercial sale of trees, such as Christmas trees are prohibited, nor otherwise make commercial use of trees on land that is subject to the contract unless it is expressly permitted in the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, except that no contract

shall prohibit activities consistent with customary forestry practice, such as pruning, thinning, or stand improvement of trees, on lands converted to forestry use;

(9) not to adopt any practice specified by the Secretary in the contract as a practice that would tend to defeat the purposes of this [subtitle; and] *chapter 2 of subtitle D;*

(10) to comply with such additional provisions as the Secretary determines are desirable and are included in the contract to carry out this subtitle or to facilitate the practical administration thereof[.]*;*

(11) with respect to any contract entered into after the date of enactment of this paragraph concerning highly erodible land in a county that has not reached the limitation established by section 1231(d), not to produce an agricultural commodity for the duration of the contract on any other highly erodible land that does not have a history of being used to produce an agricultural commodity other than forage crops; and

(12) on the violation of a contract described in paragraph (11), in addition to the sanctions described in paragraph (5), to be ineligible for—

(A) as to any commodity produced during that crop year by such owner or operator—

(i) any type of price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(ii) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

(iii) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(iv) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or

(v) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or any other provision of law administered by the Farmers Home Administration; or

(B) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

(b) The plan referred to in subsection (a)(1)—

(1) shall set forth—

(A) the conservation measures and practices to be carried out by the owner or operator during the term of the contract; and

(B) the commercial use, if any, to be permitted on the land during such term; and

(2) may provide for the permanent retirement of any existing cropland base and allotment history for the land.

(c) To the extent practicable, not less than one eighth of the number of acres of land that is placed in the conservation reserve under this [subtitle] *chapter 2 of subtitle D* in each of the 1986 through 1990 crop years shall be devoted to trees.

(d) An owner or operator of land that is the subject of a contract entered into under this chapter after the 1990 crop year shall, on the termination or expiration of such contract, be required, with respect to the application of the requirements of subtitle B, to limit the soil erosion of such land to not more than the soil loss tolerance level for the land to assure that there is no net loss of soil on such land after the expiration of the contract, except that the Secretary may specify a different erosion rate for the land if the Secretary determines that it is not feasible to limit soil erosion on such land to such soil loss tolerance level.

(e)(1) The Secretary may permit agricultural commodities to be produced on land that is subject to contracts entered into under this chapter, if—

(A) such land is planted to hardwood trees;

(B) such agricultural commodities will be produced in conjunction with, and in close proximity to, such hardwood trees;

(C) such trees are at least 3 years of age; and

(D) the owner or operator of such land agrees to implement appropriate conservation practices concerning such land.

(2) The Secretary shall develop a bid system by which owners and operators may offer to reduce their annual rental payments in exchange for permission to produce agricultural commodities on such land in accordance with this subsection. The Secretary shall not accept offers under this paragraph that provide for less than a 50 percent reduction in such annual payments.

(3) The Secretary shall ensure that the total annual rental payments over the term of any contract modified under this subsection are not in excess of that specified in the original contract.

SEC. 1232A. EASEMENTS.

(a) IN GENERAL.—For purposes of placing land in the conservation reserve established under this chapter, the Secretary may enter into contracts with owners and operators that require—

(1) the owner of such land to provide the Secretary with a non-perpetual conservation easement of not less than 30 years on the land that is subject to such contracts; or

(2) the owner of such land to provide the Secretary with a permanent conservation easement on the land this is subject to such contracts.

(b) EASEMENTS.—The Secretary shall, to the extent practicable, encourage the use of permanent easements on land that is subject to contracts entered into under section 1231(i). The amount paid to an owner or operator by the Secretary for such an easement shall not exceed the fair market value of the land that is subject to the easement.

DUTIES OF THE SECRETARY

SEC. 1233. In return for a contract entered into by an owner or operator under section 1232, the Secretary shall—

(1) share the cost of carrying out the conservation measures and practices set forth in the contract for which the Secretary determines that cost sharing is appropriate and in the public interest;

(2) for a period of years not in excess of the term of the contract, pay an annual rental payment in an amount necessary to compensate for—

(A) the conversion of highly erodible cropland normally devoted to the production of an agricultural commodity on a farm or ranch to a less intensive use; and

(B) the retirement of any cropland base and allotment history that the owner or operator agrees to retire permanently; and

(3) provide conservation technical assistance to assist the owner or operator in carrying out the contract.

PAYMENTS

SEC. 1234. (a) The Secretary shall provide payment for obligations incurred by the Secretary under a contract entered into under this [subtitle—] *chapter 2 of subtitle D—*

(1) with respect to any cost-sharing payment obligation incurred by the Secretary, as soon as possible after the obligation is incurred; and

(2) with respect to any annual rental payment obligation incurred by the Secretary—

(A) as soon as practicable after October 1 of each calendar year, or

(B) at the discretion of the Secretary, at any time prior to such date during the year that the obligation is incurred.

[(b) In making cost sharing payments to owners and operators under contracts entered into under this subtitle, the Secretary shall pay 50 percent of the cost of establishing conservation measures and practices set forth in such contracts for which the Secretary determines that cost-sharing is appropriate and in the public interest.]

(b)(1) In making cost sharing payments to an owner or operator under a contract entered into under this chapter, the Secretary shall pay 50 percent of the cost of establishing conservation measures and practices required under such contracts for which the Secretary determines that cost-sharing is appropriate and in the public interest.

(2) In the case of land devoted to the production of hardwood trees, windbreaks, or shelterbelts under a contract entered into under this chapter after the date of enactment of this section, the Secretary, in making cost-share payments to an owner or operator of such land, shall pay not less than 50, nor more than 75, percent of the reasonable and necessary costs, as determined by the Secretary, incurred by such owner or operator for maintaining such tree plantings, including the cost of replanting (if the trees were lost due to conditions beyond the control of the owner or operator), during not less than the 2-year, and not more than the 4-year, period beginning on the date a tree is planted, as determined appropriate by the Secretary.

(3) The Secretary may permit owners or operators who contract to devote at least 10 acres of land to the production of hardwood trees under this chapter to extend the planting of such trees over a 3-year

period if at least one-third of such trees are planted in each of the first 2 years.

(c)(1) In determining the amount of annual rental payments to be paid to owners and operators for converting highly erodible cropland normally devoted to the production of an agricultural commodity to less intensive use, the Secretary may consider, among other things, the amount necessary to encourage owners or operators of highly erodible cropland to participate in the program established by this [subtitle.] *chapter 2 of subtitle D.*

(2) The amounts payable to owners or operators in the form of rental payments under contracts entered into under this [subtitle] *chapter 2 of subtitle D* may be determined through—

(A) the submission of bids for such contracts by owners and operators in such manner as the Secretay may prescribe; or

(B) such other means as the Secretary determines are appropriate.

(3) In determining the acceptability of contract offers, the Secretary may—

(A) take into consideration the extent or erosion on the land that is the subject of the contract and the productivity of the acreage diverted;

(B) where appropriate, accept contract offers that provide for the establishment of—

(i) shelterbelts and windbreaks; or

(ii) permanently vegetated stream borders, filter strips of permanent grass, forbs, shrubs, and trees that will reduce sedimentation substantially;

(C) establish different criteria in various States and regions of the United States to determine the extent to which erosion may be abated; [and]

(D) give priority to offers made by owners and operators who are subject to the highest degree of economic stress, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities[.]*;*

(E) give priority to offers that would provide for the greatest public benefit; and

(F) take into consideration the potential benefits of wildlife.

(4) In the case of acreage enrolled in the conservation reserve established under this chapter that is to be devoted to hardwood trees, the Secretary shall consider bids for contracts under this subsection on a continuous basis.

(5) The Secretary may establish and implement a bid-back program to remove the least highly erodible cropland from the conservation reserve established under this chapter if such bid-back program results in an equal or greater than total level or erosion reduction at a cost to the Federal Government that is equal to or less than the cost to the Federal Government of maintaining such land in the reserve.

(d)(1) Except as otherwise provided in this section, payments under this [subtitle—] *chapter 2 of subtitle D—*

(A) shall be made in cash or in commodities in such amount and on such time schedule as is agreed on and specified in the contract; and

(B) may be made in advance of determination of performance.

(2) If such payment is made with in-kind commodities, such payment shall be made by the Commodity Credit Corporation—

(A) by delivery of the commodity involved to the owner or operator at a warehouse or other similar facility located in the county in which the highly erodible cropland is located or at such other location as it agreed to by the Secretary and the owner or operator;

(B) by the transfer of negotiable warehouse receipts; or

(C) by such other method, including the sale of the commodity in commercial markets, as is determined by the Secretary to be appropriate to enable the owner or operator to receive efficient and expeditious possession of the commodity.

(3) If stocks of a commodity acquired by the Commodity Credit Corporation are not readily available to make full payment in kind to the owner or operator, the Secretary may substitute full or partial payment in cash for payment in kind.

(e) If an owner or operator who is entitled to a payment under a contract entered into under this [subtitle] *chapter 2 of subtitle D* dies, becomes incompetent, is otherwise unable to receive such payment, or is succeeded by another person who renders or completes the required performance, the Secretary shall make such payment, in accordance with regulations prescribed by the Secretary and without regard to any other provision of law, in such manner as the Secretary determines is fair and reasonable in light of all the circumstances.

(f)(1) The total amount of rental payments, including rental payments made in the form of in-kind commodities, made to an owner or operator under this [subtitle] *chapter 2 of subtitle D* for any fiscal year may not exceed $50,000.

(2)(A) The Secretary shall issue regulations—

(i) defining the term "person" as used in this subsection; and

(ii) prescribing such rules as the Secretary determines necessary to ensure a fair and reasonable application of the limitation contained in this subsection.

(B) The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 (7 U.S.C. 1307), shall be used to determine whether corporations and their stockholders may be considered as separate persons under this subsection.

(3) Rental payments received by an owner or operator shall be in addition to, and not affect, the total amount of payments that such owner or operator is otherwise eligible to receive under this Act or the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.).

(4) The provisions of this subsection that limit payments to any person, and section 1305(f) of the Agricultural Reconiliation Act of 1987, shall not be applicable to payments received by a State, political subdivision, or agency thereof in connection with agreements entered into under a special conservation reserve enhancement program carried out by that entity that has been approved by the Secretary. The Secretary may enter into such agreements for payments to States, political subdivisions, or agencies thereof that the

Secretary determines will advance the purposes of this [subtitle] *chapter 2 of subtitle D.*

CONTRACTS

SEC. 1235. (a)(1) No contract shall be entered into under this [subtitle] *chapter 2 of subtitle D* concerning land with respect to which the ownership has changed in the 3-year period preceding the first year of the contract period unless—

(A) the new ownership was acquired by will or succession as a result of the death of the previous owner;

(B) the new ownership was acquired before January 1, 1985;

(C) the Secretary determines that the land was acquired under circumstances that give adequate assurance that such land was not acquired for the purpose of placing it in the program established by this [subtitle;] *chapter 2 of subtitle D;*

(D) the ownership change occurred due to foreclosure on the land and the owner of the land immediately before the foreclosure exercises a right of redemption from the mortgage holder in accordance with State law.

(2) Paragraph (1) shall not—

(A) prohibit the continuation of an agreement by a new owner after an agreement has been entered into under this [subtitle] *chapter 2 of subtitle D;* or

(B) require a person to own the land as a condition of eligibility for entering into the contract if the person—

(i) has operated the land to be covered by a contract under this section for at least 3 years preceding the date of the contract or since January 1, 1985, whichever is later; and

(ii) controls the land for the contract period.

(3)(A) Paragraph (1) shall not apply to highly erodible cropland that is administered on the date of enactment of the Farm Credit Act Amendments of 1987 by—

(i) an institution of the Farm Credit System under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.);

(ii) the Secretary under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.); or

(iii) a private lender.

(B) Notwithstanding any other provision of law, in the case of any land that is placed in the conservation reserve under this paragraph, the Secretary shall make payments under this chapter only to family farmers who purchase or lease such cropland and who enter into a contract under this chapter.

(C) If the Secretary receives contract offers for participation in the program established under this chapter from owners or operators who satisfy the requirements of paragraph (1) and family farmers who satisfy the requirements of this paragraph, the Secretary shall give priority to the offers submitted by owners or operators who satisfy the requirements of paragraph (1).

(D) As used in this paragraph, the term 'family farmer's means an owner or operator (as of the time immediately after such sale or lease) of not larger than a family size farm located in a State, as

defined by the Secretary, for farms in the State under the Consolidated Farm and Rural Development Act.

(b) If during the term of a contract entered into under this [subtitle] *chapter 2 of subtitle D* an owner or operator of land subject to such contract sells or otherwise transfers the ownership or right of occupancy of such land, the new owner or operator of such land may—

(1) continue such contract under the same terms or conditions;

(2) enter into a new contract in accordance with this subtitle; or

(3) elect not to participate in the program established by [this subtitle.] *chapter 2 of subtitle D.*

(c)(1) The Secretary may modify a contract entered into with an owner or operator under [this subtitle] *chapter 2 of subtitle D* if—

(A) the owner or operator agrees to such modification; and

(B) the Secretary determines that such modification is desirable—

(i) to carry out [this subtitle;] *chapter 2 of subtitle D*

(ii) to facilitate the practical administration of [this subtitle;] *chapter 2 of subtitle D* or

(iii) to achieve such other goals as the Secretary determines are appropriate, consistent with [this subtitle.] *chapter 2 of subtitle D.*

~~(2)~~ The Secretary may modify or waive a term or condition of a contract entered into under [this subtitle] *chapter 2 of subtitle D* in order to permit all or part of the land subject to such contract to be devoted to the production of an agricultural commodity during a crop year, subject to such conditions as the Secretary determines are appropriate.

(d)(1) The Secretary may terminate a contract entered into with an owner or operator under [this subtitle] *chapter 2 of subtitle D* if—

(A) the owner or operator agrees to such termination; and

(B) the Secretary determines that such termination would be in the public interest.

(2) At least 90 days before taking any action to terminate under paragraph (1) all conservation reserve contracts entered into under [this subtitle,] *chapter 2 of subtitle D* the Secretary shall provide written notice of such action to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 1235A. CONVERSION OF LAND SUBJECT TO CONTRACT TO OTHER CONSERVING USES.

(a) CONVERSION TO TREES.—

(1) IN GENERAL.—The Secretary shall permit an owner or operator who has entered into a contract under this chapter that is in effect on the date of enactment of this section to convert areas of highly erodible cropland that are subject to such contract, and that are devoted to vegetative cover, from such use to hardwood trees, windbreaks, or shelterbelts.

(2) TERMS.—

(A) EXTENSION OF CONTRACT.—With respect to any contract on land to be devoted to hardwood trees, windbreaks, or shelterbelts under this section, if the orginal term of such contract was less than 15 years, the owner or operator may extend such contract to a term of not to exceed 15 years.

(B) EASEMENTS.—If such areas are converted to windbreaks or shelterbelts under this section, the owner of such land shall enter into an agreement to provide a conservation easement to the Secretary for the useful life of such shelterbelt or windbreak.

(C) COST SHARE ASSISTANCE.—The Secretary shall pay 50 percent of the cost of establishing conservation measures and practices authorized under this subsection for which the Secretary determines the cost-sharing is appropriate and in the public interest.

(b) CONVERSION TO WETLANDS.—The Secretary shall permit an owner or operator who has entered into a contract under this subtitle that is in effect on the date of enactment of this section to restore areas of highly erodible cropland that are devoted to vegetative cover under such contract to wetlands if—

(1) such areas are prior converted wetlands;

(2) the owner or operator of such areas enters into an agreement to provide the Secretary with a long-term or permanent easement under chapter 3 covering such areas;

(3) there is a high probability that the prior converted area can be successfully restored to wetland status; and

(4) the restoration of such areas otherwise meets the requirements of chapter 3.

BASE HISTORY

SEC. 1236. (a) A reduction based on a ratio between the total cropland acreage on the farm and the acreage placed in the conservation reserve authorized by [this subtitle,] *chapter 2 of subtitle D* as determined by the Secretary, shall be made during the period of the contract, in the aggregate, in crop bases, quotas, and allotments on the farm with respect to crops for which there is a production adjustment program.

(b) Notwithstanding sections 1211 and 1221, the Secretary, by appropriate regulation, may provide for preservation of cropland base and allotment history applicable to acreage converted from the production of agricultural commodities under this section, for the purpose of any Federal program under which the history is used as a basis for participation in the program or for an allotment or other limitation in the program, unless the owner and operator agree under the contract to retire permanently that cropland base and allowment history.

(c) The Secretary may extend, for such time as the Secretary determines to be appropriate, the protection of crop acreage bases, quotas and allotments on land that is the subject of a contract under this subtitle beyond the period of such contract to the extent that the producer agrees to continue to carry out conservation uses on such

land in the same manner as was required under the terms of the contract.

CHAPTER 3—WETLANDS RESERVE PROGRAM

SEC. 1240A. WETLANDS RESERVE PROGRAM.

(a) ESTABLISHMENT.—The Secretary shall establish a wetlands reserve program to assist owners of eligible lands in restoring and protecting wetlands.

(b) NUMBER OF ACRES.—To the extent practicable, the Secretary shall attempt to enter into agreements with owners of eligible lands to place not less than 1,000,000 acres of land in the wetlands reserve during the 1991 through 1995 crop years.

(c) COUNTY LIMITATION.—The wetland reserve established under this chapter shall be subject to the 25 percent limitation, on land in a county enrolled under the program established under this section, the environmental conservation acreage reserve program, and the conservation stewardship program, contained in section 1230(d).

(d) ELIGIBILITY.—For purposes of enrolling land in the wetland reserve established under this chapter during the 1991 through 1995 crop years, land shall be eligible to be placed into such reserve if the Secretary, in consultation with the Chief of the Soil Conservation Service and the Secretary of the Interior, determines that—

(1)(A) such land is farmed wetland or converted wetland, except that wetlands converted without a commenced determination (under section 1222(a)(1)) after December 23, 1985, shall not be eligible to be enrolled in the program under this section; and

(B) the wetland value of the farmed wetland or restored wetland, and the likelihood of the successful restoration of the land, merits inclusion of such land in the program taking into consideration the cost of such restoration.

(e) OTHER ELIGIBLE LAND.—The Secretary may include in the wetland reserve established under this chapter, together with land that is eligible under subsection (d), other wetland of an owner that would not otherwise be eligible if the Secretary determines that the inclusion of such wetland in such easement would add to the functional value of the easement.

(f) EASEMENTS.—The Secretary shall place lands in the wetland reserve through the purchase of easements as provided for in section 1240B.

SEC. 1240B. EASEMENTS.

(a) IN GENERAL.—To be eligible to place land into the wetland reserve under this chapter, the owner of such land shall enter into an agreement with the Secretary to grant an easement on such land to the Secretary.

(b) TERMS OF EASEMENT.—An easement granted under subsection (a) shall provide for the restoration and protection of the functional values of wetland pursuant to a Wetland Easement Conservation Plan developed by the Soil Conservation Service (hereinafter referred to in this chapter as the "Plan"), in concurrence with the Secretary of the Interior, and with the approval of the participating landowner, that—

(1) prohibits—

(A) the alteration of wildlife habitat and other natural features of such land, unless specifically permitted by the Plan;

(B) agricultural crop production or harvesting of timber on such land, unless specifically permitted by the Plan;

(C) the grazing of livestock on such land, unless specifically permitted by the Plan;

(D) the spraying of such land with chemicals or the mowing of such land, except where such spraying or mowing is necessary—

(i) to comply with Federal or State noxious weed control laws; or

(ii) to comply with a Federal or State emergency pest treatment program; and

(E) any activities to be carried out on land that is immediately adjacent to, and functionally dependent on, the land that is subject to the easement if such activities will alter, degrade, or otherwise diminish the functional value of the eligible land;

(2) permits—

(A) repairs, improvements, and inspections on such land that are necessary to maintain existing public drainage systems if such land is subsequently restored to the condition required by the terms of the easement; and

(B) the land to be used for wildlife activities, including hunting and fishing, if such use is permitted by the owner or operator;

(3) includes plans for the efficient and effective restoration of the functional values of wetlands;

(4) permits landowners to control public access on the easement areas while identifying access routes to be used for wetland restoration activities and management and easement monitoring; and

(5) contains such other terms and conditions as are agreed to by the Secretary and the owner.

(c) TYPE AND LENGTH OF EASEMENT.—A conservation easement granted under this section—

(1) shall be in a recordable form; and

(2) may be permanent or may be for a specified duration that is not less than 30 years.

(d) COMPENSATION.—Compensation for easements acquired by the Secretary under this chapter shall be made in cash in such amount as is agreed to and specified in the easement agreement, but not to exceed the fair market value of the land. Such amount may be determined through the submission of bids under a procedure established by the Secretary. Compensation may be provided in not less than 5 nor more than 20 annual payments of either equal or unequal size, as agreed on by the owner and the Secretary.

SEC. 1240C. DUTIES OF OWNERS.

Under the terms of an agreement entered into under this chapter, an owner and operator of the land that is subject to an easement under this chapter shall agree to comply with the terms of the easement.

SEC. 1240D. DUTIES OF THE SECRETARY.

(a) COMPENSATION.—In return for an easement granted to the Secretary by an owner under this chapter, the Secretary shall compensate such owner in an amount determined in accordance with section 1240B(d), and shall share the cost of restoring the functional values of such wetland with such owner.

(b) COST SHARE ASSISTANCE.—In making cost share payments to owners or operators under this chapter, the Secretary shall pay the owner an amount that is not less than 50 percent nor more than 75 percent with respect to a 30-year easement, nor more than 100 percent with respect to a permanent easement, of the cost of—

(1) restoring the eligible lands that are placed into the wetland reserve to their original state as wetlands;

(2) protecting the eligible lands that are placed into the wetland reserve to enable such lands to remain as wetlands; and

(3) complying with the conservation plan developed by the Soil Conservation Service in concurrence with the Fish and Wildlife Service concerning the restoration of such land.

SEC. 1240E. ADMINISTRATION, AND FUNDING.

(a) USE OF THE COMMODITY CREDIT CORPORATION.—The Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this chapter, except that the Secretary may not use funds of the Corporation for such purposes unless the Corporation has received funds to cover such expenditures from appropriations made to carry out this chapter.

(b) REGULATIONS.—Not later than 180 days after the date of enactment of this chapter, the Secretary shall issue such regulations as are necessary to carry out this chapter.

SEC. 1240F. AUTHORITY OF APPROPRIATIONS.

"There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this chapter.

CHAPTER 4—AGRICULTURAL WATER QUALITY INCENTIVES

SEC. 1240I. ESTABLISHMENT OF WATER QUALITY INCENTIVES PROGRAM.

(a) IN GENERAL.—The Secretary shall establish and implement a program to be known as the "Agricultural Water Quality Incentive Program" to encourage owners and operators of eligible agricultural land to implement, improve and maintain agricultural production practices on such land that are designed to achieve major reductions in the potential for contamination or degradation of surface water or ground water as a consequence of agricultural production on such land, with emphasis given to practices that enhance farm profitability and productivity.

(b) ELIGIBLE LAND.—Land shall be eligible to be placed into the water quality incentives program established under this chapter if agricultural production on such land, due to the characteristics, location, or other factors of such land, could contribute to the potential for degradation of the quality of surface and gronnd water, as determined by the Secretary, including cropland areas—

(1) that are not more than 1,000 feet from a public well;

(2) that are in shallow Karst topography areas where sinkholes convey runoff directly into ground water;

(3) that are considered to be critical cropland areas within hydrologic units identified in a plan submitted by the State under section 319 of the Federal Water Pollution Control Act (33 U.S.C. 1329) as having priority problems that result from agricultural nonpoint sources; and

(4) where agricultural nonpoint sources have been determined to pose a significant threat to habitat utilized by threatened and endangered species.

(c) FARM WATER QUALITY MANAGEMENT PLANS.—An owner or operator participating in the program established under this chapter shall develop and implement a Farm Water Quality Management Plan that shall contain specific goals and objectives that will ensure that a major reduction is achieved in the potential for contamination or degradation of surface water or ground water by sediment, fertilizers and other crop nutrients, agricultural chemicals, salts, animals wastes or other pollutants associated with agricultural production on eligible land that is subject to a contract under this chapter.

(d) TECHNICAL ASSISTANCE.—The Soil Conservation Service, the Extension Service, and, where determined appropriate by the Secretary, private agricultural consultants shall provide technical asistance for the development and implementation of Farm Water Quality Management Plans under subsection (c).

(e) INCENTIVE PAYMENTS.—The Secretary shall provide incentive payments to owners and operators under section 1240K for the implementation, improvement and maintenance of agricultural production practices in accordance with the approved Farm Water Quality Management Plan of the owner or operator.

(f) ACREAGE.—The Secretary shall attempt to place acreage into the water quality incentives program established under this chapter in an amount sufficient to enable the Secretary to achieve an improvement in the quality of ground or surface water.

SEC. 1240J. CONTRACTS.

(a) REQUIREMENT.—The Secretary shall enter into contracts with owners and operators of eligible land to place acreage in the program established under this chapter.

(b) GENERAL TERMS.—Contracts entered into under this section shall—

(1) incorporate the Farm Water Quality Management Plan prepared by the owner or operator under section 1240I(c) and approved by the Soil Conservation Service;

(2) specifically describe the agricultural production practices that will be implemented, improved and maintained, as well any practices that are to be avoided, in order to carry out and achieve the goals and objectives that are described in the Farm Water Quality Management Plan prepared for the farm;

(3) provide for the use by the owner or operator, to the maximum extent possible and consistent with ensuring that major reductions are achieved in the potential for contamination or degradation of surface water or ground water, of agricultural production practices that enhance farm profitability and productivity through reducing waste and inefficiency in the man-

agement and use of fertilizers and crop nutrients, animal waste and other organic materials, and agricultural chemicals;

(4) establish a schedule of deadlines for the implementation, improvement, or other modification of agricultural production practices as described under paragraph (2);

(5) establish a schedule for the performance of the maintenance activities described under paragraph (2);

(6) specify performance standards that shall enable the parties to the contract to determine whether the owner or operator is performing satisfactorily under the contract; and

(7) specify the obligations of the Secretary under the program established under this chapter.

(c) TERM OF CONTRACT.—A contract entered into under this chapter with an owner or operator shall require such owner or operator to continue and maintain any practice for which an incentive payment is made under section 1240K for a period of not less than 5 crop years.

(d) CONTINUING ELIGIBILITY.—

(1) IN GENERAL.—To remain eligible for incentive payments under section 1240K, an owner or operator shall—

(A) continue to implement, improve or maintain practices as required in the contract entered into under this section, and continue to avoid using any practices prohibited in such contract, for the period described in subsection (c); and

(B) remain in compliance with the other conservation provisions of this title.

(2) REFUNDS.—An owner or operator that does not comply with the requirements of paragraph (1) shall be liable to the Secretary for a refund of any incentive payments received under section 1240K concerning the contract to which the noncompliance applies, plus interest.

(e) REVISIONS.—An owner or operator may obtain a revision of the contract entered into under this section on such terms as the Secretary determines to be reasonable if—

(1) natural causes prevent the implementation, improvement or maintenance of practices as required under such contract;

(2) such contract no longer accurately reflects the production patterns or circumstances pertaining to the farm;

(3) the contract cannot be carried out without economic losses that threaten the viability of the farming operation; or

(4) the owner or operator and the Secretary agree on contract modifications that will not compromise the water quality goals and objectives in the existing contract and that will be no less effective or timely in achieving such goals and objectives than the existing contract.

SEC. 1240K. INCENTIVE PAYMENTS.

(a) IN GENERAL.—A contract entered into under the program established under this chapter shall provide for annual incentive payments to be made by the Secretary to the owner or operator of land subject to a contract under this chapter on a per acre basis in amounts sufficient to encourage participation in the program in sufficient numbers to achieve the acreage levels described in section 1240I(f).

(b) TERMS, AMOUNTS, LIMITATION, MANNER.—

(1) TERMS.—Payments shall be made under this section for a period of not less than 3 nor more than 5 years, as determined appropriate by the Secretary, and as specified in the contract entered into under the program established under this chapter.

(2) AMOUNTS.—In determining the amount and number of payments to be made to an owner or operator under this section, the Secretary shall consider the cost and effort involved in implementing, improving and maintaining the practices for which incentive payments are made.

(3) LIMITATION.—Payments to an owner or operator under this section shall not exceed $3,500 for any crop year. Payments under this section shall not be subject to, or considered in applying, limitations on payments under any other program administered by the Secretary, except that incentive payments for a practice or practices shall not be made under this section if payments or assistance is provided for such practice or practices under any other Federal program.

(4) MANNER.—The Secretary may make a lump sum payment to an owner or operator of the annual incentive payments required under a contract entered into under this chapter, as reduced to present value, if such lump sum payment is necessary to enable the producer to pay the initial costs of implementing a practice required under such contract.

SEC. 1240L. ADMINISTRATION.

(a) ACCEPTABILITY OF CONTRACT OFFERS.—In determining the acceptability of contract offers under this chapter, the Secretary shall—

(1) consider the degree of reductions in the potential for contamination or degradation of surface or ground water to be achieved on the land to be subject to the contract;

(2) give priority to an area within a State that is determined, under a designation established by a State (or Federal program if no State program exists) water quality program or classification system developed on the basis of an analysis of the geological or hydrological criteria, cropping patterns, and other relevant factors of the area, and in consultation with the Administrator of the Environmental Protection Agency and State officials having responsibility for monitoring and protecting water quality, to be land on which agricultural production creates the potential for contamination or degradation of surface water or ground water; and

(3) give priority to offers that would provide for the greatest public benefit.

(b) INFORMATION AND ASSISTANCE.—The Secretary shall, at the request of a producer, provide information and assistance to such producer concerning the resource, economic, and environmental effects of implementing the Farm Water Quality Management Plans under this chapter.

(c) NATIONAL DATABASE.—The Secretary shall collect and maintain data on a national and State-by-State basis concerning the resource, economic, and environmental consequences of the water quality management plans selected by producers.

SEC. 1240M. DEMONSTRATION AND PILOT PROGRAMS.

(a) DEMONSTRATION AND MODEL FARM PROGRAMS.—To the extent practicable and consistent with the requirements of the program established under this chapter and the priority described in section 1240L, the Secretary shall enter into contracts under this chapter with owners and operators to facilitate the participation by such owners or operators in demonstration or model farm programs that are sponsored by governmental or private non-profit entities and are designed to provide education on, disseminate information about, and demonstrate the practical application of agricultural production practices that reduce the potential for contamination or degradation of surface water or ground water while emphasizing practices that enhance profitability and productivity.

(b) PILOT PROGRAMS.—To complement and enhance the effectiveness of the program established under this chapter, the Secretary may establish pilot programs, for implementation in areas determined to be priority areas under section 1240L, that shall be designed to provide assistance to address a wide range of farming operations and production conditions that enhance the efficient use of farm inputs and reduce waste.

Subtitle E—Administration

USE OF COMMODITY CREDIT CORPORATION

SEC. 1241. (a)(1) During each of the fiscal years ending September 30, 1986, and September 30, 1987, the Secretary shall use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out subtitle D.

(2) During the fiscal year ending September 30, 1988, and each fiscal year thereafter, the Secretary may use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out subtitle D, except that the Secretary may not use funds of the Corporation for such purpose unless the Corporation has received funds to cover such expenditures from appropriations made to carry out this subtitle.

(b) The authority provided by subtitles (A) through (E) shall be in addition to, and in place of, other authority granted to the Secretary and the Commodity Credit Corporation.

USE OF OTHER AGENCIES

SEC. 1242. (a) In carrying out subtitles B, C, and D, the Secretary shall use the services of local, county, and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)).

(b)(1) In carrying out subtitle D, the Secretary may utilize the services of the Soil Conservation Service and the Forest Service, the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land/grant colleges, local, county, and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h), soil and water conservation districts, and other appropriate agencies.

(2) In carrying out subtitle D at the State and county levels, the Secretary shall consult with, to the extent practicable, the Fish and

Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, soil-conservation districts, and other appropriate agencies.

ADMINISTRATION

SEC. 1243. (a) The Secretary shall establish, by regulation, an appeal procedure under which a person who is adversely affected by any determination made under subtitles A through E may seek review of such determination.

(b) Ineligibility under section 1211 or 1212 of a tenant or sharecropper for benefits shall not cause a landlord to be ineligible for benefits for which the landlord would otherwise be eligible with respect to commodities produced on lands other than those operated by the tenant sharecropper.

(c) In carrying out subtitles B through E, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers including provision for sharing, on a fair and equitable basis, in payments under the program established by subtitle D.

REGULATIONS

SEC. 1244. Not later than 180 days after the date of enactment of this Act, the Secretary shall issue such regulations as the Secretary determines are necessary to carry out subtitles A through E, including regulations that—

(1) define the term "person";

(2) govern the determination of persons who shall be ineligible for program benefits under subtitles B and C, so as to ensure a fair and reasonable determination of ineligibility; and

(3) protect the interests of landlords, tenants, and sharecroppers.

SEC. 1245. OUTREACH TO SOCIALLY DISADVANTAGED FARMERS.

(a) OUTREACH AND ASSISTANCE.—The Secretary acting through the Office of Advocacy and Enterprise, shall provide outreach and technical assistance to encourage and assist farmers who meet the socially disadvantaged criteria described in section 8(a)(5) of the Small Business Act (15 U.S.C. 637(a)(5)) to participate in all of the programs established under this title.

(b) GRANTS AND AGREEMENTS.—The Secretary and the Director of the Office of Advocacy and Enterprise may make grants and enter into contracts, and other agreements with 1890 colleges, traditionally minority community colleges, and community based organizations with demonstrated experience in providing education and other services to family farmers to carry out the purposes of this section.

(c) REPORT.—Not later than 2 years after the date of enactment of this section, the Director of the Office of Advocacy and Enterprise shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate, a report, on a State-by-State basis and county-by-county basis, concerning the rate of minority participation in each program established under this title. Such report shall compare the actual application rates, acceptance rates and participation rates with target participation rates for programs that were established by the Secretary pursuant to section 35(a)(1) of the

Consolidated Farm and Rural Development Act (7 U.S.C. 2003(a)(1)), on a State-by-State and county-by-county basis.

SEC. 1246. PROGRAMS TO CONTROL THE SPREAD OF WEEDS AND PESTS.

(a) IN GENERAL.—The Secretary, in consultation with State experiment stations, the Administrator of the Extension Service, the Chief of the Soil Conservation Service, and State pest and weed control boards, shall make available to owners and operators of land that is subject to a contract under subtitle D, weed and pest control technical guides that address common weed and pest problems and programs to control weeds and pests found on acreage enrolled in the environmental conservation acreage reserve program.

(b) EFFECTIVE CONTROL ON NEW CONTRACTS.—If the Secretary determines that effective control of weeds is not achieved as a result of the failure of the owner or operator to follow the recommendations in the weed control technical guides provided under subsection (a), on acreage enrolled in the environmental conservation acreage reserve program under chapter 2 of subtitle D after the date of enactment of this section, and following review by the Administrator of the Agricultural Stabilization and Conservation Service, local committees, State and local weed and pest control boards, or other agencies responsible for implementing such environmental conservation reserve acreage program or local weed and pest laws, the owner or operator of the acreage that is subject to the contract under such chapter shall be subject to a reduction in annual payments made available under section 1234, as determined by the Secretary, for failing to control weeds enrolled in such program. Such reduction in payments shall be based on the entire acreage that such owner or operator has enrolled in such program.

AUTHORIZATION FOR APPROPRIATIONS

[SEC. 1245.] *SEC. 1247.* There are authorized to be appropriated without fiscal year limitation such sums as may be necessary to carry out subtitles A through E.

TITLE XIV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

Subtitle A—General Provisions

SHORT TITLE

SEC. 1401. This title may be cited as the "National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1985".

* * * * * * *

GRANTS TO UPGRADE 1890 LAND-GRANT COLLEGE EXTENSION FACILITIES

SEC. 1416. (a) It is the intent of the Congress to assist institutions eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417, chapter 841; 7 U.S.C. 321 et seq.), including Tuskegee Institute (hereafter in this section referred to as "eligible institutions"), in the acquisition and improvement of extension facilities and equipment so that eligible institutions may participate fully with the

State cooperative extension services in a balanced way in meeting the extension needs of the people of their respective States.

(b) There are authorized to be appropriated for the purpose of carrying out this section $10,000,000 for each of the fiscal years ending September 30, 1986, through September 30, [1990] *1992,* such sums to remain available until expended.

(c) Four percent of the sums appropriated under this section shall be available to the Secretary of Agriculture for administration of the grants program under this section. The remaining funds shall be made available for grants to the eligible institutions for the purpose of assisting the institutions in the purchase of equipment and land, and the planning, construction, alteration, or renovation of buildings, to provide adequate faciltiies to conduct extension work in their respective States.

(d) Grants awarded under this subsection shall be made in such amounts and under such terms and conditions as the Secretary of Agriculture shall determine necessary for carrying out this section.

(e) Federal funds provided under this section may not be used for the payment of any overhead costs of the eligible institutions.

(f) The Secretary of Agriculture may promulgate such rules and regulations as the Secretary considers necesary to carry out this section.

* * * * * * *

[Subtitle C—Agricultural Productivity Research

[DEFINITIONS

[SEC. 1461. For purposes of this subtitle:

[(1) The term "extension" shall have the same meaning given to such term by section 1404(7) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103(7)).

[(2) The term "Secretary" means the Secretary of Agriculture.

[(3) The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

[(4) The term "State agricultural experiment stations" shall have the meaning given to such term by section 1404(13) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3101(13)).

[FINDINGS

[SEC. 1462. Congress finds that—

[(1) highly productive and efficient agricultural systems and sound conservation practices are essential to ensure the long-term agricultural viability and profitability of farms and ranches in the United States;

[(2) agricultural research and technology transfer activities of the Secretary (including activities of the Extension Service, the Agricultural Research Service, and the Cooperative State

Research Service), State cooperative extension services, land-grant and other colleges and universities, and State agricultural experiment stations—

[(A) have contributed greatly to innovation in agriculture; and

[(B) have a continuing role to play in improving agricultural productivity;

[(3) the annual irretrievable loss of billions of tons of precious topsoil through wind and water erosion reduces agricultural productivity;

[(4) many farmers and ranchers are highly dependent on machines and energy resources for agricultural production;

[(5) public funding of a properly planned and balanced agricultural research program is essential to improving the efficiency in agricultural production and conservation practices; and

[(6) expanded agricultural research and extension efforts are needed to assist farmers and ranchers to—

[(A) improve agricultural productivity; and

[(B) implement soil, water, and energy conservation practices.

[PURPOSES

[SEC. 1463. It is the purpose of this subtitle to—

[(1) facilitate and promote scientific investigation in order to—

[(A) enhance agricultural productivity

[(B) maintain the productivity of land;

[(C) reduce soil erosion and loss of water and plant nutrients; and

[(D) conserve energy and natural resources; and

[(2) facilitate the conduct of research projects in order to study agricultural production systems that—

[(A) are located, to the extent practicable, in areas that possess various soil, climatic, and physical characteristics;

[(B) have been, and will continue to be, managed using farm production practices that rely on—

[(i) items purchased for the production of an agricultural commodity; and

[(ii) a variety of conservation practices; and

[(C) are subjected to a change from the practices described in subparagraph (B)(i) to the practices described in subparagraph (B)(ii).

[INFORMATION STUDY

[SEC. 1464. (a) Subject to section 1468, the Secretary shall inventory and classify by subject matter all studies, reports, and other materials developed by any person or governmental agency with the participation or financial assistance of the Secretary, that could be used to promote the purposes of this subtitle.

[(b) In carrying out subsection (a), the Secretary shall—

[(1) identify, assess, and classify existing information and research reports that will further the purposes of this subtitle,

including information and research relating to legume-crop rotation, the use of green manure, animal manures, and municipal wastes in agricultural production, soil acidity, liming in relation to nutrient release, intercropping, the role of organic matter in soil productivity and erosion control, the effect of topsoil loss on soil productivity, and biological methods of weed, disease, and insect control;

[(2) identify which of such reports provide useful information and make such useful reports available to farmers and ranchers; and

[(3) identify gaps in such information and carry out a research program to fill such gaps.

[RESEARCH PROJECTS

[SEC. 1465. (a) Subject to section 1468, in cooperation with Federal and State research agencies and agricultural producers, the Secretary shall conduct such research projects as are needed to obtain data, draw conclusions, and demonstrate technologies necessary to promote the purposes of this subtitle.

[(b) In carrying out subsection (a), the Secretary shall conduct projects and studies in areas that are broadly representative of United States agricultural production, including production on small farms.

[(c) In carrying out subsection (a), the Secretary may conduct research projects involving crops, soils, production methods, and weed, insect, and disease pests on individual fields or other areas of land.

[(d) In the case of a research project conducted under this section that involves the planting of a sequence of crops, the Secretary shall conduct such project for a term of—

[(1) at least 5 years; and

[(2) to the extent practicable, 12 to 15 years.

[(e)(1) In coordination with the Extension Service and State cooperative extension services, the Secretary shall take such steps as are necessary to ensure that farmers and ranchers are aware of projects conducted under this section.

[(2) The Secretary shall ensure that such projects are open for public observation at specified times.

[(f)(1) Subject to paragraph (2), the Secretary may indemnify an operator of a project conducted under this section for damage incurred on undue losses sustained as a result of a rigid requirement of research or demonstration under such project that is not experienced in normal farming operations.

[(2) An indemnity payment under paragraph (1) shall be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project.

[COORDINATION

[SEC. 1466. The Secretary shall—

[(1) establish a panel of experts consisting of representatives of the Agricultural Research Service, Cooperative State Research Service, Soil Conservation Service, Extension Service, State cooperative extension services, State agricultural experi-

ment stations, and other specialists in agricultural research and technology transfer; and

[(2) ensure that a research project under this subtitle is designed after taking into consideration the views of such panel.

[REPORTS

[SEC. 1467. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate—

[(1) not later than 180 days after the effective date of this subtitle, a report describing the design of research projects established in accordance with sections 1465 and 1466;

[(2) not later than 15 months after the effective date of this subtitle, a report describing the results of the program carried out under section 1464; and

[(3) not later than April 1, 1987, and each April 1 thereafter, a report describing the progress of projects conducted under this subtitle, including—

[(A) a summary and analysis of data collected under such projects; and

[(B) recommendations based on such data for new basic or applied research.

[AGREEMENTS

[SEC. 1468. The Secretary may carry out sections 1464 and 1465 through agreements with land-grant colleges or universities, other universities, State agricultural experiment stations, nonprofit organizations, or Federal or State governmental entities, that have demonstrated appropriate expertise in agricultural research and technology transfer.

[DISSEMINATION OF DATA

[SEC. 1469. The Secretary shall—

[(1) make available through the Extension Service and State cooperative extension services—

[(A) the information and research reports identified under section 1464; and

[(B) the information and conclusions resulting from any research project conducted under section 1465; and

[(2) otherwise take such steps as are necessary to ensure that such material is made available to the public.

[AUTHORIZATION FOR APPROPRIATIONS

[SEC. 1470. There are authorized to be appropriated such sums as may be necessary to carry out this subtitle, to remain available until expended.

[EFFECTIVE DATE

[SEC. 1471. This subtitle shall become effective on October 1, 1985.]

Subtitle C—Sustainable Agriculture Research and Education

CHAPTER 1—LOW-INPUT SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION PROGRAM

SEC. 1461. FINDINGS AND PURPOSES.

(a) FINDINGS. Congress finds that—

(1) the United States must focus its research and education efforts on the development of sustainable methods of farming that are productive and profitable, conserve natural resources, and protect the environment and the health and safety of agricultural workers and consumers;

(2) different methods of agricultural production can contribute to the goal of achieving long-term sustainability;

(3) many farmers and ranchers are highly dependent on nonrenewable production inputs and natural resources for agricultural production and are seeking information on sustainable production systems;

(4) farmers and ranchers have demonstrated interest in participating directly in research and extension efforts and that participation can improve farming methods and benefit research and extension programs; and

(5) expanded agricultural research and extension efforts are needed to assist farmers, ranchers, and agribusinesses to—

(A) improve agriculture productivity, profitability and competitiveness;

(B) prevent water pollution and soil erosion and degradation;

(C) protect the health and safety of farmers, farmworkers, and consumers;

(D) implement soil, water, and energy conservation practices;

(E) reduce the use of nonrenewable production inputs, to the extent feasible and practicable, and optimize the reasonable use of resources;

(F) explore alternative livestock production systems that lead to low-input livestock production; and

(G) stabilize and improve farm income through crop and enterprise diversification.

(b) PURPOSES.—It is the purpose of this chapter to encourage research designed to increase our knowledge concerning agricultural production systems that—

(1) maintain and enhance the quality and productivity of the soil;

(2) conserve soil, water, energy, and natural resources, and improve fish and wildlife habitat conditions;

(3) prevent contamination of surface and ground water;

(4) protect the health and safety of farmers, farmworkers and consumers;

(5) promote animal wellbeing; and

(6) maintain or increase the number of economically viable self-employment opportunities in agriculture.

SEC. 1462. DEFINITIONS.

As used in this chapter:

(1) AGRIBUSINESS.—The term "agribusiness" includes a producer or organization engaged in an agricultural enterprise with a profit motive.

(2) EXTENSION.—The term "extension" shall have the same meaning given such term in section 1404(7) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3101(7)).

(3) NON-PROFIT ORGANIZATION.—The term "non-profit organization" means an organization, group, institute, or institution that—

(A) has a demonstration capacity to conduct agricultural research or education programs;

(B) has experience in research, demonstration, education, or extension in sustainable agricultural practices and systems; and

(C) qualifies as a non-for-profit organization under section 501(c) of the Internal Revenue Code of 1986.

(4) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(5) STATE.—The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(6) STATE AGRICULTURAL EXPERIMENT STATIONS.—The term "State agricultural experiment stations" shall have the same meaning given such term by section 1404(13) of the National Agricultural Research, Extension, and Teaching Act of 1977 (7 U.S.C. 3101(13)).

(7) SUSTAINABLE AGRICULTURE.—The term "sustainable agriculture" means a variety of farming systems, ranging from organic systems that use no synthetic chemical inputs to those involving the prudent use of agricultural chemicals and that result in—

(A) the thorough incorporation of natural processes such as nutrient cycles, nitrogen fixation, and pest-predator relationships into the agricultural production process;

(B) the reduction in the use of inputs with potential to harm significantly the environment or the health of farmer and consumer;

(C) the greater productive use of the biological and genetic potential of plant and animal species;

(D) the improvement of the match between cropping patterns and the productive potential and physical limitations of agricultural lands to ensure the long-term sustainability of current production levels; and

(E) the profitable and efficient agricultural production, with emphasis on improved farm management and conservation of soil, water, energy, and biological resources.

SEC. 1463. RESEARCH AND EXTENSION PROJECTS.

(a) IN GENERAL.—The Secretary shall conduct research and extension projects to obtain data, develop conclusions, demonstrate technologies, and conduct educational programs that promote the purposes of this chapter, including research and extension projects that—

(1) facilitate and increase scientific investigation and education in order to—

(A) reduce, to the extent feasible and practicable, the use of toxic chemical pesticides, fertilizers, and natural materials in agricultural production;

(B) improve low-input farm management to enhance agricultural productivity, profitability, and competitiveness; and

(C) promote crop, livestock, and enterprise diversification; and

(2) facilitate the conduct of projects in order to—

(A) study, to the extent practicable, agricultural production systems that are located in areas that possess various soil, climate, and physical characteristics;

(B) study farms that have been, and will continue to be, managed using farm production practices that rely on low-input and conservation practices;

(C) take advantage of the experience and expertise of farmers and ranchers through their direct participation and leadership in projects;

(D) transfer practical, reliable and timely information to farmers and ranchers concerning sustainable farming practices and system; and

(E) promote a partnership between farmers, nonprofit organizations, agribusiness, and public and private research and extension institutions.

(b) AGREEMENTS.—The Secretary shall carry out this section through agreements entered into with land-grant colleges or universities, other universities, State agricultural experiment stations, the State cooperative extension services, nonprofit organizations, or Federal or State governmental entities.

(c) SELECTION OF PROJECTS.—

(1) IN GENERAL.—The Secretary shall select research and extension projects to be conducted under this section on the basis of—

(A) the recommendations of the National Sustainable Agriculture Advisory Council established in section 1464;

(B) the relevance of the project to the purposes of this chapter;

(C) the appropriateness of the design of the project;

(D) the likelihood of obtaining the objectives of the project; and

(E) the national or regional applicability of the findings and outcomes of the proposed project.

(2) PRIORITY.—In conducting projects under this section, the Secretary shall give priority to projects that—

(A) are recommended by the National Sustainable Agriculture Advisory Council;

(B) closely coordinate research and extension activities;

(C) indicate the manner in which the findings of the project will be made readily usable by farmers;

(D) maximize the involvement of cooperation of farmers, including projects involving on-farm research and demonstration;

(E) involve a multidisciplinary systems approach; and

(F) involve cooperation between farms, non-profit organizations, colleges and universities, and government agencies.

(d) DIVERSIFICATION OF RESEARCH.—The Secretary shall conduct projects and studies under this section in areas that are broadly representative of the diversity of United States agricultural production, including production on small farms, mixed-crop livestock farms and dairy operations.

(e) ON-FARM RESEARCH.—The Secretary may conduct projects and activities that involve on-farm research and demonstration in carrying out this section.

(f) IMPACT STUDIES.—The Secretary may approve study projects concerning the national and regional economic, global competitiveness, social and environmental implications of the adoption of sustainable agricultural practices and systems.

(g) PROJECT DURATION.—

(1) IN GENERAL.—The Secretary may approve projects to be conducted under this section that have a duration of more than 1 fiscal year.

(2) SEQUENCE PLANTING.—In the case of a research project conducted under this section that involves the planting of a sequence of crops or crop rotations, the Secretary shall approve such projects for a term that is appropriate to the sequence or rotation being studied.

(h) PUBLIC ACCESS.—The Secretary shall ensure that research projects conducted under this section are open for public observation.

(i) INDEMNIFICATION.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary may indemnify the operator of a project conducted under this section for damage incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under such project that is not experienced in normal farming operations.

(2) SUBJECT TO AGREEMENT.—An indemnity payment under paragraph (1) shall be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project.

SEC. 1464. PROGRAM ADMINISTRATION.

(a) DUTIES OF SECRETARY.—The Secretary shall—

(1) administer the programs and projects conducted under sections 1463 and 1465 through the Cooperative State Research Service in close cooperation with the Extension Service and other appropriate agencies;

(2) establish a National Sustainable Agriculture Advisory Council in accordance with subsection (b);

(3) establish a minimum of four Regional Administrative Councils in accordance with subsection (c); and

(4) in conjunction with such Regional Administrative Councils, identify regional host institutions required to carry out such programs or projects.

(b) NATIONAL SUSTAINABLE AGRICULTURE ADVISORY COUNCIL.—

(1) ESTABLISHMENT AND MEMBERSHIP.—The Secretary shall establish a National Sustainable Agriculture Advisory Council that shall be composed of representatives of—

(A) the Agricultural Research Service;

(B) the Cooperative State Research Service;

(C) the Soil Conservation Service;

(D) the Extension Service;

(E) State cooperative extension services;

(F) State agricultural experiment stations;

(G) the Economic Research Service;

(H) the National Agricultural Library;

(I) The Environmental Protection Agency;

(J) the Board of Agriculture of the National Academy of Sciences;

(K) nonprofit organizations;

(L) farmers utilizing sustainable agriculture systems and practices;

(M) the Geological Survey;

(N) agribusiness;

(O) the Farmers Home Administration; and

(P) other specialists in agricultural research and technology transfer.

(2) RESPONSIBILITIES.—The Council established under paragraph (1) shall—

(A) make recommendations to the Secretary concerning research and extension projects that should receive funding under sections 1463 and 1465;

(B) promote the programs established under this chapter at the national level;

(C) coordinate research and extension activities funded under such programs;

(D) establish general procedures for awarding and administering funds under this chapter;

(E) consider recommendations for improving such programs;

(F) facilitate cooperation and integration between sustainable agriculture, national water quality, integrated pest management, food safety, and other related programs; and

(G) prepare and submit and annual report concerning its activities to the Secretary.

(c) REGIONAL ADMINISTRATIVE COUNCILS.—

(1) ESTABLISHMENT AND MEMBERSHIP.—The Secretary shall establish four Regional Administrative Councils that shall be composed of representatives of—

(A) the Cooperative State Research Service;

(B) the Extension Service;

(C) State cooperative extension services;

(D) State agricultural experiment stations;

(E) the Soil Conservation Service;

(F) State departments engaged in promoting sustainable agriculture;

(G) nonprofit organizations;

(H) farmers utilizing sustainable agriculture systems and practices;

(I) the United States Geological Survey; and

(J) other persons knowledgeable about sustainable agriculture and its impact on the environment and rural communities.

(2) RESPONSIBILITIES.—The Councils established under paragraph (1) shall—

(A) make recommendations to the National Sustainable Agriculture Advisory Council concerning research and extension projects that should receive funding under section 1463 and 1465;

(B) promote the programs established under this chapter at the regional level;

(C) establish goals and criteria for the selection of projects authorized under this chapter within the applicable region;

(D) appoint a technical committee to evaluate the proposals for projects to be considered under this chapter by such council;

(E) review and act on the recommendations of the technical committee, and coordinate its activities with the regional host institution; and

(F) prepare and make available an annual report concerning projects funded under sections 1463 and 1465, together with an evaluation of the project activity.

(d) CONFLICT OF INTEREST.—Members of the Council and Committees established under this section shall recuse themselves from participation in discussions and recommendations of proposed projects if members have, or have had, a professional or business interest in, including the provision of consultancy services, the organization whose grant application is under review.

SEC. 1465. FEDERAL-STATE MATCHING GRANT PROGRAM.

(a) ESTABLISHMENT.—The Secretary shall establish a Federal-State matching grant program to make grants to States to encourage and assist in the creation or enhancement of State sustainable agriculture research, extension, and higher and continuing education programs.

(b) ELIGIBLE PROGRAMS AND ACTIVITIES.—State programs eligible to receive a grant under this section may conduct a variety of activities designed to carry out the purposes of this chapter, including—

(1) activities that encourage the incorporation and integration of sustainable agriculture concerns in all State research, extension, and education projects;

(2) educational programs for farmers, educators, and the public;

(3) activities that encourage revisions to agricultural curricula to promote understanding of sustainable agriculture at all levels;

(4) the incorporation of sustainable agriculture studies in undergraduate and graduate degree programs;

(5) the development and funding of innovative sustainable agriculture research, extension, and education programs;

(6) the conduct of research and demonstration projects;

(7) the provision of technical assistance to farmers and ranchers;

(8) activities that encourage farmer-to-farmer information exchanges; and

(9) such other activities that are appropriate to the agricultural concerns of the State and are consistent with the purposes of this chapter.

(c) SUBMISSION OF PLAN.—

(1) IN GENERAL.—States that elect to apply for a grant under this section shall prepare and submit, to the appropriate Regional Administrative Council established under section 1464, a State plan and schedule for the approval of such Council and the Secretary.

(2) CONTENTS OF STATE PLAN.—State plans prepared under paragraph (1) shall provide details of the proposed program to be implemented using assistance provided under this section for fiscal years 1991 through 1995, or any 5-year period thereafter, and shall identify the sources of matching State funds for the same fiscal years.

(3) PARTICIPATION.—To be eligible for approval, State plans submitted under paragraph (1) shall ensure that there will be extensive and direct participation of farmers in the development, implementation, and evaluation of the program.

(d) GRANT AWARD.—

(1) AMOUNT OF GRANT.—Subject to paragraph (2), the Secretary shall provide grants to eligible States under this section in an amount that shall not exceed 50 percent of the cost of the establishment or enhancement of a State sustainable agriculture program under a plan approved by the Secretary under subsection (c) for a period of not to exceed 5 years.

(2) STATE PARTICIPATION.—To be eligible to receive a grant under this section, a State shall agree to pay, from State appropriated funds, other State revenue, or from private contributions received by the State, not less than 50 percent of the cost of the establishment or enhancement of the sustainable agriculture program under an approved plan under subsection (c).

SEC. 1466. TECHNICAL GUIDES FOR LOW-INPUT AGRICULTURAL PRODUCTION SYSTEMS.

(a) ESTABLISHMENT.—Not later than 2 years after the date of enactment of this subtitle, the Secretary shall, after full public notice and comment, and in consultation with the National Sustainable Advisory Council established under section 1464, develop technical guides that describe farm production systems that foster sustainable agricultural production systems, including low-input systems, mitigate public health risks, protect environmental quality, conserve soil, water, and energy, and otherwise carry out the purposes of this chapter.

(b) COORDINATION OF EFFORT.—To the extent possible, the Secretary shall coordinate the ongoing technical guide work of the Soil Conservation Service and the Extension Service to avoid duplication of effort and to provide farmers and other agriculture professionals with a comprehensive technical guide that addresses a broad array of technical concerns.

(c) CONTENT OF TECHNICAL GUIDES.—

(1) IN GENERAL.—The technical guides developed under this section shall include information on the selection of crops and crop-plant varieties, rotation practices, tillage systems, nutrient management systems, soil building practices, pest, weed, and disease management, soil, water, and energy conservation, livestock management, and other practices useful in carrying out the purposes of this chapter.

(2) INSTRUCTIONS.—Such technical guides shall provide practical instructions, based on existing scientific and technical knowledge, to ensure nondegradation of farmland soils, protection of water supplies from depletion and contamination, and reductions in the use of nonrenewable resources and purchased production inputs.

(3) INFORMATION COLLECTION.—To assist in the development of guides under this section, the Secretarty shall—

(A) survey existing data bases containing information on sustainable agricultural systems, including those created by the Soil Conservation Service and the National Agricultural Library and the Appropriate Technology Transfer in the Rural Areas program established under section 2(b)(7) of Public Law 89-106 (7 U.S.C. 450i(b)(7));

(B) inventory and classify by subject matter studies, reports, and other material developed by any person or governmental agency with the participation or financial assistance of the Secretary, that could be used to promote the purposes of this chapter; and

(C) determine which of such reports and projects provide useful information and make such useful reports available to farmers and ranchers.

(d) GRANT PROGRAM.—The Secretary, in consultation with the National Sustainable Agriculture Advisory Council established in section 1464, may establish a grant program to assist in the development and periodic revision of technical guides under this section.

(e) DISTRIBUTION OF GUIDES.—The Secretary shall ensure that the technical guides developed under this section are made available to the public and are updated as determined necessary by the Secretary.

SEC. 1467. REPORTS.

Not later than April 1, 1991, and each April 1 thereafter, the Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the National Sustainable Agriculture Advisory Council established under section 1464—

(1) a report describing the results of the programs carried out under section 1463 and 1465; and

(2) a report describing the progress of projects conducted under this chapter, including—

(A) a summary and analysis of data collected under such projects;

(B) recommendations based on such data for new basic or applied research; and

(C) the number, length, and type of projects proposed, funded and carried out, by region.

SEC. 1468. AUTHORIZATION OF APPROPRIATIONS.

(c) There are authorized to be appropriated $40,000,000 for each fiscal year to carry out this chapter. Of any amount that is appropriated to carry out the programs established under this chapter, not less than $15,000,000, or not less than two-thirds of any such appropriations, whichever is greater, shall be used to carry out sections 1463 and 1464.

CHAPTER 2—NATIONAL TRAINING PROGRAM IN SUSTAINABLE AGRICULTURE

SEC. 1471. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) there is a great need for research-based practical knowledge that will assist farmers and non-farmers in adopting sustainable agriculture technologies, practices, and systems on their farms, in their businesses and in their homes;

(2) farmers rely on the Extension Service as a primary source for the dissemination of research-based practical knowledge concerning farming methods; and

(3) the Extension Service as well as other agricultural leaders need training in new sustainable agriculture technologies and practices in order to provide the information farmers and non-farmers demand.

(b) PURPOSE.—It is the purpose of this chapter to establish a training program in sustainable agriculture for Extension Service agents and other leaders in agricultural education in order to facilitate the extension of knowledge of sustainable agriculture.

SEC. 1472. DEFINITIONS.

As used in this chapter:

(1) EXTENSION SERVICE AGENTS.—The term "Extension Service agents" shall include employees of the Federal Extension Service, and the State and county cooperative extension services.

(2) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(3) SUSTAINABLE AGRICULTURE.—The term "sustainable agriculture" means an agricultural system that is economically viable and agronomically and environmentally sound over short and long term periods.

SEC. 1473. PROGRAM ADMINISTRATION.

(a) IN GENERAL.—The Secretary shall esablish a National Training Program in Sustainable Agriculture to provide education and training for Extension Service agents and other professionals involved in the education and transfer of technical information concerning sustainable agriculture to develop understanding, compe-

tence, and ability to teach and communicate the concepts of sustainable agriculture to Extension Service agents and to farmers and urban residents needing information on sustainable agriculture systems.

(b) ADMINISTRATION.—The training program established under subsection (a) shall be organized and administered by the Extension Service in cooperation with the Centers established in section 1474 and shall include onsite education at the Centers as well as education at other locations including land-grant universities, State agricultural experiment stations, and demonstration farms.

SEC. 1474. NATIONAL TRAINING CENTERS.

(a) IN GENERAL.—The Secretary shall designate not less than two National Training Centers (hereinafter referred to in this section as the "Centers") to coordinate and administer educational activities in sustainable agriculture as provided for in section 1473.

(b) TRAINING PROGRAM.—The Centers shall offer intensive instructional programs and involving classroom and field training work for extension specialists and other individuals who are required to transmit technical information.

(c) PROHIBITION ON CONSTRUCTION.—The Centers shall be located at existing facilities. No funds appropriated under this chapter be used for facility construction.

(d) ADMINISTRATION.—The Centers should be administered by organizations that—

(1) have demonstrated capability relating to sustainable agriculture;

(2) have a base of programming that includes both research and education related to sustainable agriculture, with an emphasis on the application of an overall production systems approach that studies environmental interactions, farming methods, and resource efficiency; and

(3) have cooperative relationships with other agencies such as the Agricultural Research Service, the Extension Service, land grant universities and nonprofit organizations.

(e) COORDINATION OF RESOURCES.—The Centers shall make use of information generated by the Department of Agriculture and the State agricultural experiment stations, and the practical experience of farmers, especially those cooperating in on-farm demonstrations and research projects, in carrying out the functions of the Centers.

(f) LOCATION.—The Secretary should consider utilizing existing organizations with expertise in sustainable agriculture to assist in the design and implementation of the training program under subsection (b).

SEC. 1475. COMPETITIVE GRANTS.

(a) IN GENERAL.—The Secretary shall establish a competitive grants program to award grants to organizations, including land grant universities, to carry out sustainable agricultural training for county agents and other individuals that need basic information concerning sustainable agriculture practices.

(b) SHORT COURSES.—The purpose of the grants made available under subsection (a) shall be to establish, in various regions in the United States, training programs that consist of workshops and

short courses designed to familiarize participants with the concepts and importance of sustainable agriculture.

SEC. 1476. TRAINING PROGRAM.

(a) IN GENERAL.—

(1) REQUIRED TRAINING.—The Secretary shall ensure that all Extension Service agents are provided with training in all aspects of sustainable agriculture not later than the end of the 5-year period beginning on the date of enactment of this subtitle.

(2) CONCENTRATION.—Training provided under paragraph (1) shall be concentrated in agroecology, all aspects of integrated crop management, urban applications of sustainable agricultural methods, and multidisciplinary problem solving, with regular periodic updates provided to supplement such training.

(b) NEW AGENTS.—Begining 3 years after the date of enactment of this subtitle, the Secretary shall ensure that Extension Service agents employed by such Service are able to demonstrate, not later than 18 months after the employment of such agents, that such agents have a thorough knowledge of all aspects of sustainable agriculture and integrated crop management.

(c) SPECIALIST PROGRAMS.—Not later than 3 years after the date of enactment of this subtitle, each State shall have an integrated crop management specialist trained in integrated crop management practices and other environmental agricultural practices available within such State to assist agricultural producers within such State. Such specialists shall operate out of the land grant unversities in such State.

(d) REPORT.—Not later than September 30, 1993, and September 30, 1995, the Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report concerning the training provided under this section.

(e) FUNDING.—The Secretary shall use amounts made available to carry out the Act of May 8, 1914 (38 Stat. 372, chapter 79; 7 U.S.C. 341 et seq.) (commonly known as the "Smith-Lever Act") to carry out the provisions of this section.

(3) IMPACT OF FOOD MARKETING POLICIES AND PRACTICES.—

(A) IN GENERAL.—In implementing this section, the Secretary shall provide for the conduct of research in not less than 3 States concerning the impact of food marketing policies and practices, such as market news and information, retail point-of-purchase information, marketing orders, cosmetic quality standards, food grading, pricing practices, and food distribution, buying, selling and merchandising practices, on—

(i) the willingness and ability of farmers to adopt or expand their use of sustainable agriculture practices;

(ii) pesticide use in agriculture; and

(iii) consumer access to and willingness to buy food produced with sustainable agriculture practices.

(B) DEVELOPMENT OF OPTION.—The Secretary shall develop options for the implementation of food marketing policies and practices based on the findings of the research conducted under subparagraph (A).

(C) DISSEMINATION OF RESULTS.—The Secretary shall disseminate to concerned parties the results obtained from prior reseach concerning the marketing policies and practices described in subparagraph (A) to avoid any duplication of effort and to ensure that current knowledge concerning such policies and practices is enhanced.

(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph, $10,000,000 for each fiscal year. Amounts appropriated under section 1468 shall not be used in carrying out this paragraph.

SEC. 1477. AUTHORIZATION OF APPROPRIATIONS.

There are to be authorized to be appropriated $10,000,000 for each fiscal year to carry out this chapter.

CHAPTER 3—EXTENSION SERVICE PESTICIDE APPLICATION ADVICE

SEC. 1481. FINDING AND PURPOSE.

(a) FINDING.—Congress finds that, in many cases, Extension Service agents would like to provide information to farmers concerning lower, more cost efficient rates of pesticide application than that specified on the lable of the pesticide, in order to guide farmers toward more cost effective agriculture systems.

(b) PURPOSE.—The purpose of this chapter is to authorize Extension Service agents to provide information to farmers on reduced pesticide application rates to the extent such information is available.

SEC. 1482. DEFINITIONS.

As used in this chapter:

(1) EXTENSION SERVICE AGENTS.—The term "Extension Service agents" shall include employees of the Federal Extension Service, and that State and county cooperative extension services.

(2) PESTICIDE.—The term "pesticide" means any substance that alone, in chemical combination, or in any formulation with one or more substances, is defined as a pesticide in the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.).

SEC. 1483. PESTICIDE USE RECOMMENDATIONS.

(a) IN GENERAL.—Notwithstanding any other provision of law, Extension Service agents may advise farmers to apply any pesticide at a dosage, concentration, or frequency that is less than that specified on the label for such pesticide if the Extension Service agent has research findings to indicate that use of the pesticide at the lower dosage, concentration, or frequency would be efficacious.

(b) PUBLICATIONS.—Extension Service agents may include advice to farmers concerning such lower usage of specific pesticides in publications issued by the Extension Service if—

(1) such publication also states the rates of application specified on the label of such pesticide; and

(2) such publication discusses the efficacy of the pesticide when applied at such a lower rate.

CHAPTER 4—BIOTECHNOLOGY RISK ASSESSMENT RESEARCH

SEC. 1491. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) rapid advances in the application of biotechnology to agriculture have and will continue to result in the development of products whose research, evaluation, and commercial use require introduction into the environment; and

(2) more scientific information about the effects of the introduction of genetically engineered organisms into the environment, and the development of methods to contain and monitor such introduction are needed to—

(A) help researchers make sound judgments about the overall environmental impacts of genetically engineered organisms they develop, and to design projects that minimize any risks associated with the introduction of such genetically engineered organisms; and

(B) help regulators make scientifically sound and timely decisions regarding the introduction of genetically engineered organisms.

(b) PURPOSE.—It is the purpose of this chapter to—

(1) authorize and support environmental assessment research to the extent necessary to help address general concerns about environmental effects of biotechnology; and

(2) authorize research to help regulators develop policies, as soon as is practicable, concerning the introduction into the environment of such technology.

SEC. 1492. DEFINITIONS.

As used in this chapter:

(1) ENVIRONMENTAL ASSESSMENT RESEARCH.—The term "environmental assessment research" means research aimed at understanding the potential impacts on agricultural ecosystems, natural ecosystems, and human health of genetically engineered organisms introduced into the environment.

(2) GENETICALLY ENGINEERED ORGANISM.—The term "genetically engineered organism" means a living organism, including a virus, that is genetically modified using techniques of modern biotechnology, including recombinant DNA, chemical and electrical poration, and microinjection.

(3) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

SEC. 1493. GRANT PROGRAM.

(a) IN GENERAL.—The Secretary shall establish a grant program within the Cooperative State Research Service and the Agricultural Research Service to provide assistance necessary for environmental assessment research concerning the introduction of genetically engineered organisms into the environment.

(b) AREAS OF RESEARCH.—Areas of research eligible for assistance under subsection (a) shall include—

(1) the development of methods to physically and biologically contain genetically engineered fish, plants, and microorganisms once they are introduced into the environment;

(2) the development of methods to monitor the dispersal of genetically engineered fish, plants, and microorganisms;

(3) research designed to further existing knowledge with respect to the rates and methods of gene transfer that may occur between genetically engineered organisms and related wild and agricultural organisms; and

(4) other areas of research designed to further the purposes of this chapter.

(c) REQUESTS FOR PROPOSALS.—The Secretary shall consult with the Administrator of the Animal and Plant Health Inspection Service, any existing Office of Agricultural Biotechnology, and any existing Agricultural Biotechnology Research Advisory Committee regarding any specific areas of research considered for assistance under this section.

(d) PROGRAM COORDINATION.—The Secretry shall coordinate research authorized under this chapter with the Office of Research and Development of the Environmental Protection Agency and shall seek to avoid duplication of research activities.

(e) OPEN COMPETITION.—Grants shall be made on the basis of the quality of the proposed research project and shall not be restricted to land grant colleges and colleges of agriculture.

SEC. 1494. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this chapter.

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AGRICULTURAL ADJUSTMENT ACT OF 1938

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TITLE III—LOANS, PARITY PAYMENTS, CONSUMER SAFEGUARDS, MARKETING QUOTAS, AND MARKETING CERTIFICATES

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PART VI—MARKETING QUOTAS—PEANUTS

SEC. 358.

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[(q)(1) The national poundage quota for peanuts for each of the 1986 through 1990 marketing years shall be established by the Secretary at a level that is equal to the quantity of peanuts (in tons) that the Secretary estimates will be devoted in each such marketing year to domestic edible, seed, and related uses, except that the national poundage quota for any such marketing year shall not be less than 1,100,000 tons.

[(2) The national poundage quota for a marketing year shall be announced by the Secretary not later than December 15 preceding such marketing year.

[(r) The national poundage quota established under subsection (q) shall be apportioned amount the States so that the poundage quota allocated to each State shall be equal to the percentage of the national poundage quota allocated to farms in the State for 1985.

[(s)(1)(A) A farm poundage quota for each of the 1986 through 1990 marketing years shall be established—

[(i) for each farm that had a farm poundage quota for peanuts for the 1985 marketing year; and

[(ii) if the poundage quota apportioned to a State under subsection (r) for any such marketing year is larger than such quota for the immediately preceding marketing year, for each other farm on which peanuts were produced for marketing in at least 2 of the 3 immediately preceding crop years, as determined by the Secretary.

[(B) The farm poundage quota for each of the 1986 through 1990 marketing years for each farm described in subparagraph (A)(i) of the preceding sentence shall be the same as the farm poundage quota for such farm for the immediately preceding marketing year, as adjusted under paragraph (2), but not including—

[(i) any increases for undermarketings from previous years; or

[(ii) any increases resulting from the allocation of quotas voluntarily released for 1 year under paragraph (7).

The farm poundage quota, if any, for each of the 1986 through 1990 marketing years for each farm described in subparagraph (A)(ii) shall be equal to the quantity of peanuts allocated to such farm for such year under paragraph (2),

[(C) For purposes of this paragraph, if the farm poundage quota, or any part thereof, is permanently transferred in accordance with section 358a, the receiving farm shall be considered as possessing the farm poundage quotas (or portion thereof) of the transferring farm for all subsequent marketing years.

[(2)(A) If the poundage quota apportioned to a State under subsection (r) for any of the 1986 through 1990 marketing years is increased over the poundage quota apportioned to the State for the immediately preceding marketing year, such increase shall be allocated equally among—

[(i) all farms in the State for each of which a farm poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made; and

[(ii) all other farms in the State on each of which peanuts were produced in at least 2 of the 3 immediately preceding crop years, as determined by the Secretary.

[(B) If the poundage quota apportioned to a State under subsection (r) for any of the 1987 through 1990 marketing years is decreased from the poundage quota apportioned to the State under such subsection for the immediately preceding marketing year, such decrease shall be allocated among all the farms in the State for each of which a farm poundage quota was established for the

marketing year immediately preceding the marketing year for which the allocation is being made.

[(3)(A) Insofar as practicable and on such fair and equitable basis as the Secretary may be regulation prescribe, the farm poundage quota established for a farm for any of the 1986 through 1990 marketing years shall be reduced to the extent that the Secretary determines that the farm poundage quota established for the farm for any 2 of the 3 marketing years preceding the marketing year for which the determination is being made was not produced, or considered produced, on the farm.

[(B) For the purposes of this paragraph, the farm poundage quota for any such preceding marketing year shall not include—

[(i) any inceases for undermarketing of quota peanuts from previous years; or

[(ii) any increase resulting from the allocation of quotas voluntarily released for one year under paragraph (7).

[(4) For purposes of this subsection, the farm poundage quota shall be considered produced on a farm if—

[(A) the farm poundage quota was not produced on the farm because of drought, flood, or any other natural disaster, or any other condition beyond the control of the producer, as determined by the Secretary; or

[(B) the farm poundage quota for the farm was released voluntarily under paragraph (7) for any 1 of the 3 marketing years immediately preceding the marketing year for which the determination is being made.

[(5) Notwithstanding any other provision of law—

[(A) the farm poundage quota established for a farm under this subection, or any part of such quota, may be permanently released by the owner of the farm, or the operator with the permisison of the owner, and

[(B) the poundage quota for the farm for which such quota is released shall be adjusted downward to reflect the quota that is so released.

[(6)(A) Except as provided in subparagraph (B), the total amount of the farm poundage quotas reduced or voluntarily released from farms in a State for any marketing year under paragraphs (3) and (5) shall be allocated, as the Secretary may by regulation prescribe, to other farms in the State on which peanuts were produced in at least 2 of the 3 crop years immediately preceding the year for which such allocation is being made.

[(B) Not less than 25 percent of such total amount of farm poundage quota in the State shall be allocated to farms for which no farm poundage quota was established for the immediate preceding year's crop.

[(7)(A) The farm poundage quota, or any portion thereof, established for a farm for a marketing year may be voluntarily released to the Secretary to the extent that such quota, or any part thereof, will not be produced on the farm for the marketing year. Any farm poundage quota so released in a State shall be allocated to other farms in the State on such basis as the Secretary may by regulation prescribe.

[(B) Any adjustment in the farm poundage quota for a farm under subparagraph (A) shall be effective only for the marketing

year for which it is made and shall not be taken into consideration in establishing a farm poundage quota for the farm from which such quota was released for any subsequent marketing year.

[(8)(A) Except as provided in subparagraph (B), the farm poundage quota for a farm for any marketing year shall be increased by the number of pounds by which the total marketings of quota peanuts from the farm during previous marketing years (excluding any marketing year before the marketing year for the 1984 crop) were less than the total amount applicable farm poundage quotas (disregarding adjustments for undermarketings from previous marketing years) for such marketing years.

[(B) For purposes of subparagraph (A), no increase for undermarketings in previous marketing years shall be made to the poundage quota for any farm to the extent that the poundage quota for such farm for the marketing year was reduced under paragraph (3) for failure to produce.

[(C) Any increases in farm poundage quotas under this paragraph shall not be counted against the national poundage quota for the marketing year involved.

[(D) Any increase in the farm poundage quota for a farm for a marketing year under this paragraph may be used during the marketing year by the transfer of additional peanuts produced on the farm to the quota loan pool for pricing purposes on such basis as the Secretary shall by regulation prescribe.

[(9) Notwithstanding the foregoing provisions of this subsection, if the total of all increases in individual farm poundage quotas under paragraph (8) exceeds 10 percent of the national poundage quota for the marketing year in which such increases shall be applicable, the Secretary shall adjust such increases so that the total of all such increases does not exceed 10 percent of the national poundage quota.

[(t)(1) For each farm for which farm poundage quota is established under subsection (s), and when necessary for purposes of this Act, a farm yield of peanuts shall be determined for each such farm.

[(2) Such yield shall be equal to the average of the actual yield per acre on the farm for each of the 3 crop years in which yields were highest on the farm out of the 5 crop years 1973 through 1977.

[(3) If peanuts were not produced on the farm in at least 3 years during such 5-year period or there was a substantial change in the operation of the farm during such period (including, but not limited to, a change in operator, lessee who is an operator, or irrigation practices), the Secretary shall have a yield appraised for the farm. The appraised yield shall be that amount determined to be fair and reasonable on the basis of yields established for similar farms that are located in the area of the farm and on which peanuts were produced, taking into consideration land, labor, and equipment available for the production of peanuts, crop rotation practices, soil and water, and other relevant factors.

[(u)(1) Not later than December 15 of each calendar year, the Secretary shall conduct a referendum of producers engaged in the production of quota peanuts in the calendar year in which the referendum is held to determine whether such producers are in favor

of or opposed to poundage quotas with respect to the crops of peanuts produced in the five calendar years immediately following the year in which the referendum is held, except that, it as many as two-thirds of the producers voting in any referendum vote in favor of poundage quotas, no referendum shall be held with respect to quotas for the second, third, fourth, and fifth years of the period.

[(2) The Secretary shall proclaim the result of the referendum within 30 days after the date on which it is held.

[(3) If more than one-third of the producers voting in the referendum vote against quotas, the Secretary also shall proclaim that poundage quotas will not be in effect with respect to the crops of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.

[(v) For purposes of this part and title I of the Agricultural Act of 1949:

[(1) The term "additional peanuts" means, for any marketing year—

[(A) any peanuts that are marketed from a farm for which a farm pundage quota has been established and that are in excess of the marketings of quota peanuts from such farm for such year; and

[(B) all peanuts marketed from a farm for which no farm poundage quota has been established in accordance with subsection (s).

[(2) The term "crushing" means the processing of peanuts to extract oil food uses and meal for feed uses, or the processing of peanuts by crushing or otherwise when authorized by the Secretary.

[(3) The term "domestic edible use" means use for milling to produce domestic food peanuts (other than those described in paragraph (2)) and seed and use on a farm, except that the Secretary may exempt from this definition seeds of peanuts that are used to produce peanuts excluded under section 359(c), are uniue strains, and are not commercially available.

[(4) The term "quota peanuts" means, for any marketing year, any peanuts produced on a farm having a farm poundage quota, as determined in subsection (s), that—

[(A) are eligible for domestic edible use as determined by the Secretary;

[(B) are marketed or considered marketed from a farm; and

[(C) do not exceed the farm poundage quota of such farm for such year.]

SEC. 358–1. NATIONAL POUNDAGE QUOTAS AND ACREAGE ALLOTMENTS FOR 1991 THROUGH 1995 CROPS OF PEANUTS.

(a) NATIONAL POUNDAGE QUOTAS.—

(1) ESTABLISHMENT.—The national poundage quota for peanuts for each of the 1991 through 1995 marketing years shall be established by the Secretary at a level that is equal to the quantity of peanuts (in tons) that the Secretary estimates will be devoted in each such marketing year to domestic edible, seed, and related uses. If the Secretary finds that adjustments in the level to provide an adequate carryover for the remainder of the mar-

keting year and to account for deliveries of undermarketings by producers will not increase program costs, cause the Commodity Credit Corporation to incur losses, or disrupt the integrity of the program, the Secretary shall make such adjustments in the national poundage quota for peanuts. Notwithstanding any other provision of this pargraph, the national poundage quota for a marketing year shall not be less than 1,350,000 tons.

(2) ANNOUNCEMENT.—The national poundage quota for a marketing year shall be announced by the Secretary not later than December 15 preceding the marketing year.

(3) APPORTIONMENT AMONG STATES.—The national poundage quota established under paragraph (1) shall be apportioned among the States so that the poundage quota allocated to each State shall be equal to the percentage of the national poundage quota allocated to farms in the State for 1990.

(b) FARM POUNDAGE QUOTAS.—

(1) IN GENERAL.—

(A) ESTABLISHMENT.—A farm poundage quota for each of the 1991 through 1995 marketing years shall be established—

(i) for each farm that had a farm poundage quota for peanuts for the 1990 marekting year;

(ii) if the poundage quota apportioned to a State under subsection (a)(3) for any such marketing year is larger than the quota for the immediately preceding marketing year, for each other farm on which peanuts were produced for marketing in at least 2 of the 3 immediately preceding crop years, as determined by the Secretary; and

(iii) as approved and determined by the Secretary under section 358c, for each farm on which peanuts are produced in connection with experimental and research programs.

(B) QUANTITY.—The farm poundage quota for each of the 1991 through 1995 marketing years for each farm described in subparagraph (A)(i) shall be the same as the farm poundage quota for the farm for the immediately preceding marketing year, as adjusted under paragraph (2), but not including—

(i) any increases for undermarketings from previous years; or

(ii) any increases resulting from the allocation of quotas voluntarily released for 1 year under paragraph (7).

The farm poundage quota, if any, for each of the 1991 through 1995 marketing years for each farm described in subparagraph (A)(ii) shall be equal to the quantity of peanuts allocated to the farm for the year under paragraph (2).

(C) TRANSFERS.—For purposes of this subsection, if the farm poundage quota, or any part thereof, is permanently transferred in accordance with section 358a or 358b, the receiving farm shall be considered as possessing the farm poundage quota (or portion thereof) of the transferring farm for all subsequent marketing years.

(2) ADJUSTMENTS.—

(A) ALLOCATION OF INCREASED QUOTA GENERALLY.—Except as provided in subparagraph (B) and subject to subparagraph (D), if the poundage quota apportioned to a State under subsection (a)(3) for any of the 1991 through 1995 marketing years is increased over the poundage quota apportioned to farms in the State for the immediately preceding marketing year, the increase shall be allocated proportionately, based on farm production history for peanuts for the 3 immediately preceding years among—

(i) all farms in the State for each of which a farm poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made; and

(ii) all other farms in the State on each of which peanuts were produced in at least 2 of the 3 immediately preceding crop years, as determined by the Secretary.

(B) ALLOCATION OF INCREASED QUOTA IN TEXAS.—

(i) IN GENERAL.—In Texas, and subject to terms and conditions prescribed by the Secretary, beginning with the 1991 marketing year, 33 percent of the increased quota referred to in subparagraph (A) shall be allocated to farms having poundage quotas for the 1990 marketing year in any county in which the production of additional peanuts exceeded the total quota allocated to the county for the 1989 marketing year.

(ii) BASIS FOR ALLOCATION TO COUNTIES.—The allocation of the quota to eligible counties shall be based on the total production of additional peanuts in the respective counties for the 1988 crop, except that the total quota allocated to any county under this subparagraph and paragraph (6)(C) shall not be increased by more than 100 percent of the basic quota assigned to the county for the 1989 marketing year if that county had more than 10,000 tons of quota for the 1989 marketing year.

(iii) ALLOCATION TO OTHER COUNTIES.—If the total quota for any such county is so increased by 100 percent, all of the remaining quota percentage set aside under this subparagraph shall be allocated to farms in other counties otherwise meeting the requirements of this subparagraph.

(iv) ALLOCATION TO ELIGIBLE FARMS.—The percentage of increased quota in any county shall be allocated under this subparagraph only to quota farms from which additional peanuts were delivered under contract with handlers for the marketing year immediately preceding the marketing year for which the allocation is being made. The percentage of the increased quota in each county shall be allocated among the eligible farms in the county on the following basis:

(I) FACTOR.—A factor shall be established for each such eligible farm by dividing the quantity of additional peanuts contracted and delivered to

handlers from the farm by the total remaining peanuts produced on the farm for the marketing year immediately preceding the marketing year for which the allocation is being made.

(II) ALLOCATION.—Each such eligible farm shall be allocated the percentage of the increased quota for the county as its factor bears to the total of the factors for all eligible farms in the county.

(v) REMAINING PERCENTAGE.—In Texas, the remaining 67 percent of the increased quota referred to in subparagraph (A) shall be allocated to farms in the State in accordance with subparagraph (A).

(C) DECREASE.—If the poundage quota apportioned to a State under subsection (a)(3) for any of the 1991 through 1995 marketing years is decreased from the poundage quota apportioned to farms in the State under subsection (a)(3) for the immediately preceding marketing year, the decrease shall be allocated among all the farms in the State for each of which a farm poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made.

(D) SPECIAL RULE ON TENANT'S SHARE OF INCREASED QUOTA.—Subject to terms and conditions prescribed by the Secretary, on farms that were leased to a tenant for peanut production, the tenant shall share equally with the owner of the farm in that percentage of the quota referred to in subparagraph (A) and otherwise allocated to the farm as the result of the tenant's production on the farm of additional peanuts. Not later than April 1 of each year or as soon as practicable, the tenant's share of any such quota shall be allocated to a farm within the county owned by the tenant or sold by the tenant to the owner of any farm within the county and permanently transferred to that farm. Any quota not so disposed of as provided in this subparagraph shall be allocated to other quota farms in the State under paragraph (6) as part of the quota reduced from farms in the State due to the failure to produce the quota.

(3) QUOTA NOT PRODUCED.—

(A) IN GENERAL.—Insofar as practicable and on such fair and equitable basis as the Secretary may by regulation prescribe, the farm poundage quota established for a farm for any of the 1991 through 1995 marketing years shall be reduced to the extent that the Secretary determines that the farm poundage quota established for the farm for any 2 of the 3 marketing years preceding the marketing year for which the determination is being made was not produced, or considered produced, on the farm.

(B) EXCLUSIONS.—For the purposes of this paragraph, the farm poundage quota for any such preceding marketing year shall not include—

(i) any increases for undermarketing of quota peanuts from previous years; or

(ii) any increase resulting from the allocation of quotas voluntarily released for 1 year under paragraph (7).

(4) QUOTA CONSIDERED PRODUCED.—For purposes of this subsection, the farm poundage quota shall be considered produced on a farm if—

(A) the farm poundage quota was not produced on the farm because of drought, flood, or any other natural disaster, or any other condition beyond the control of the producer, as determined by the Secretary;

(B) the farm poundage quota for the farm was released voluntarily under paragraph (7) for only 1 of the 3 marketing years immediately preceding the marketing year for which the determination is being made; or

(C) the farm poundage quota was leased to another owner or operator of a farm within the same county for transfer to such farm for only 1 of the 3 marketing years immediately preceding the marketing year for which the determination is being made.

(5) QUOTA PERMANENTLY RELEASED.—Notwithstanding any other provision of law—

(A) the farm poundage quota established for a farm under this subsection, or any part of the quota, may be permanently released by the owner of the farm, or the operator with the permission of the owner; and

(B) the poundage quota for the farm for which the quota is released shall be adjusted downward to reflect the quota that is so released.

(6) ALLOCATION OF QUOTAS REDUCED OR RELEASED.—

(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), the total quantity of the farm poundage quotas reduced or voluntarily released from farms in a State for any marketing year under paragraphs (3) and (5) shall be allocated, as the Secretary may by regulation prescribe, to other farms in the State on which peanuts were produced in at least 2 of the 3 crop years immediately preceding the year for which the allocation is being made.

(B) SET-ASIDE FOR FARMS WITH NO QUOTA.—Not more than 25 percent of the total amount of farm poundage quota to be allocated in the State under subparagraph (A) shall be allocated to farms in the State for which no farm poundage quota was established for the immediately preceding year's crop. The allocation to any such farm shall not exceed the average farm production of peanuts for the 3 immediately preceding years during which peanuts were produced on the farm.

(c) ALLOCATION OF QUOTAS REDUCED OR RELEASED IN TEXAS.—

(i) IN GENERAL.—In Texas, and subject to terms and conditions prescribed by the Secretary, beginning with the 1991 marketing year, the total quantity of the farm poundage quota, except the percentage allocated to new farms under subparagraph (B), shall be allocated to other farms having poundage quotas for the 1990 mar-

keting year in all counties in which the production of additional peanuts exceeded the total quota allocated to the county for the 1989 marketing year.

(ii) BASIS FOR ALLOCATION TO COUNTIES.—The allocation of the quota to eligible counties shall be based on the total production of additional peanuts in the respective county for the 1988 crop, except that the total quota allocated to any county under this subparagraph and paragraph (2)(B) shall not be increased by more than 100 percent of the basic quota allocated to the county for the 1989 marketing year, if that county had more than 10,000 tons of quota for the 1989 marketing year.

(iii) ALLOCATION TO OTHER COUNTIES.—If the total quota for any such county is so increased by 100 percent, all of the remaining quota set aside under this subparagraph shall be allocated to farms in other counties otherwise meeting the requirements of this subparagraph.

(iv) ALLOCATION TO ELIGIBLE FARMS.—The percentage of farm poundage quota available for allocation under this subparagraph shall be allocated only to quota farms from which additional peanuts were delivered under contract with handlers for the marketing year immediately preceding the marketing year for which the allocation is being made. The percentage of the increased quota in each county shall be allocated among the eligible farms in the county on the following basis:

(I) FACTOR.—A factor shall be established for each such eligible farm by dividing the amount of additional peanuts contracted and delivered to handlers from the farm by the total remaining peanuts produced on the farm for the marketing year immediately preceding the marketing year for which the allocation is being made.

(II) ALLOCATION.—Each such eligible farm shall be allocated the percentage of the increased quota for the county as its factor bears to the total of the factors for all eligible farms in the county.

(7) QUOTA TEMPORARILY RELEASED.—

(A) IN GENERAL.—The farm poundage quota, or any portion thereof, established for a farm for a marketing year may be voluntarily released to the Secretary to the extent that the quota, or any part thereof, will not be produced on the farm for the marketing year. Any farm poundage quota so released in a State shall be allocated to other farms in the State on such basis as the Secretary may by regulation prescribe.

(B) EFFECTIVE PERIOD.—Except as otherwise provided in this section, any adjustment in the farm poundage quota for a farm under subparagraph (A) shall be effective only for the marketing year for which it is made and shall not be taken into consideration in establishing a farm pound-

age quota for the farm from which the quota was released for any subsequent marketing year.

(8) INCREASE FOR UNDERMARKETINGS IN PREVIOUS MARKETING YEARS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the farm poundage quota for a farm for any marketing year shall be increased by the number of pounds by which the total marketings of quota peanuts from the farm during previous marketing years (excluding any marketing year before the marketing year for the 1989 crop) were less than the total amount of applicable farm poundage quotas (disregarding adjustments for undermarketings from previous marketing years) for the marketing years.

(B) QUOTA NOT PRODUCED.—For purposes of subparagraph (A), no increase for undermarketings in previous marketing years shall be made to the poundage quota for any farm to the extent that the poundage quota for the farm for the marketing year was reduced under paragraph (3) for failure to produce.

(C) NATIONAL POUNDAGE QUOTA.—Any increases in farm poundage quotas under this paragraph shall not be counted against the national poundage quota for the marketing year involved.

(D) TRANSFER OF ADDITIONAL PEANUTS.—Any increase in the farm poundage quota for a farm for a marketing year under this paragraph may be used during the marketing year by the transfer of additional peanuts produced on the farm to the quota loan pool for pricing purposes on such basis as the Secretary shall by regulation prescribe.

(9) LIMIT ON INCREASES FOR UNDERMARKETINGS.—Notwithstanding the foregoing provisions of this subsection, if the total of all increases in individual farm poundage quotas under paragraph (8) exceeds 10 percent of the national poundage quota for the marketing year in which the increases shall be applicable, the Secretary shall adjust the increases so that the total of all the increases does not exceed 10 percent of the national poundage quota.

(c) FARM YIELDS.—

(1) IN GENERAL.—For each farm for which a farm poundage quota is established under subsection (b) and when necessary for purposes of this Act, a farm yield of peanuts shall be determined for each such farm.

(2) QUANTITY.—The yield shall be equal to the average of the actual yield per acre on the farm for each of the 3 crop years in which yields were highest on the farm out of the 5 crop years 1973 through 1977.

(3) APPRAISED YIELDS.—If peanuts were not produced on the farm in at least 3 years during the 5-year period or there was a substantial change in the operation of the farm during the period (including a change in operator, lessee who is an operator, or irrigation practices), the Secretary shall have a yield appraised for the farm. The appraised yield shall be that quantity determined to be fair and reasonable on the basis of yields established for similar farms that are located in the area of the

farm and on which peanuts were produced, taking into consideration land, labor, and equipment available for the production of peanuts, crop rotation practices, soil and water, and other relevant factors.

(d) REFERENDUM RESPECTING POUNDAGE QUOTAS.—

(1) IN GENERAL.—Not later than December 15 of each calendar year, the Secretary shall conduct a referendum of producers engaged in the production of quota peanuts in the calendar year in which the referendum is held to determine whether the producers are in favor of or opposed to poundage quotas with respect to the crops of peanuts produced in the 5 calendar years immediately following the year in which the referendum is held, except that, if as many as two-thirds of the producers voting in any referendum vote in favor of poundage quotas, no referendum shall be held with respect to quotas for the second, third, fourth, and fifth years of the period.

(2) PROCLAMATION.—The Secretary shall proclaim the result of the referendum within 30 days after the date on which it is held.

(3) VOTE AGAINST QUOTAS.—If more than one-third of the producers voting in the referendum vote against quotas, the Secretary also shall proclaim that poundage quotas will not be in effect with respect to the crop of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.

(e) DEFINITIONS.—For the purposes of this part and title I of the Agricultural Act of 1949 (7 U.S.C. 1441 et seq.):

(1) ADDITIONAL PEANUTS.—The term 'additional peanuts' means, for any marketing year—

(A) any peanuts that are marketed from a farm for which a farm poundage quota has been established and that are in excess of the marketings of quota peanuts from the farm for the year; and

(B) all peanuts marketed from a farm for which no farm poundage quota has been established in accordance with subsection (b).

(2) CRUSHING.—The term 'crushing' means the processing of peanuts to extract oil for food uses and meal for feed uses, or the processing of peanuts by crushing or otherwise when authorized by the Secretary.

(3) DOMESTIC EDIBLE USE.—The term 'domestic edible use' means use for milling to produce domestic food peanuts (other than those described in paragraph (2)) and seed and use on a farm, except that the Secretary may exempt from this definition seeds of peanuts that are used to produce peanuts excluded under section 359(c), are unique strains, and are not commercially available.

(4) QUOTA PEANUTS.—The term 'quota peanuts' means, for any marketing year, any peanuts produced on a farm having a farm poundage quota, as determined in subsection (b), that—

(A) are eligible for domestic edible use as determined by the Secretary;

(B) are marketed or considered marketed from a farm; and

(C) do not exceed the farm poundage quota of the farm for the year.

(f) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of peanuts.

SALE, LEASE AND TRANSFER OF PEANUT ACREAGE ALLOTMENTS

SEC. 358a.

* * * * * * *

[*(i)*]
[*(j)*]

[(k)(1) Subject to such terms, conditions, or limitations as the Secretary may prescribe, the owner, or operator with permission of the owner, of any farm for which a farm poundage quota has been established under this Act may sell or lease all or any part of such poundage quota to any other owner or operator of a farm within the same county for transfer to such farm, except that any such lease of poundage quota may be entered into in the fall or after the normal planting season but only—

[(A) if the quota has been planted on the farm from which the quota is to be leased; and

[(B) under such terms and conditions as the Secretary may be regulation prescribe.

[In the case of fall transfer or a transfer after the normal planting season by a cash lessee, the landowner shall not be required to sign the transfer authorization. A fall transfer or transfer after normal planting season may be made not later than 72 hours after the peanuts that are the subject of the transfer are inspected and graded.

[(2) The owner or operator of a farm may transfer all or any part of the farm poundage quota for such farm to any other farm owned or controlled by such owner or operator that is in the same county or in a county contiguous to such county in the same State and that had a farm poundage quota for the preceding year's crop.

[(3) Notwithstanding paragraphs (1) and (2), in the case of any State for which the poundage quota allocated to the State was less than 10,000 tons for the preceding year's crop, all or any part of a farm poundage quota may be transferred by sale or lease or otherwise from a farm in one county to a farm in another county in the same State.

[(l) Transfer (including transfer by sale or lease) of farm poundage quotas under this section be subject to all of the following conditions;

[(1) No transfer of the farm poundage quota from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders.

[(2) No transfer of the farm poundage quota shall be permitted if the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act determines that the receiving farm does not have adequate tillable cropland to produce the farm poundage quota.

[(3) No transfer of the farm poundage quota shall be effective until a record thereof is filed with the county committee of

the county to which such transfer is made and such committee determines that the transfer complies with this section.

[(4) Such other terms and conditions that the Secretary may be regulation prescribe.]

(a) IN GENERAL.—

(1) AUTHORITY.—Subject to such terms, conditions, or limitations as the Secretary may prescribe, the owner, or operator with the permission of the owner, of any farm for which a farm poundage quota has been established under this Act may sell or lease all or any part of the poundage quota to any other owner or operator of a farm within the same county for transfer to the farm, except that any such lease of poundage quota may be entered into in the fall or after the normal planting season—

(A) if not less than 90 percent of the basic quota (the farm quota exclusive of undermarketings and temporary quota transfers), plus any poundage quota transferred to the farm under this subsection, has been planted or considered planted on the farm from which the quota is to be leased; and

(B) under such terms and conditions as the Secretary may by regulation prescribe.

In the case of a fall transfer or a transfer after the normal planting season by a cash lessee, the landowner shall not be required to sign the transfer authorization. A full transfer or a transfer after the normal planting season may be made not later than 72 hours after the peanuts that are the subject of the transfer are inspected and graded.

(2) TRANSFERS TO OTHER SELF-OWNED FARMS.—The owner or operator of a farm may transfer all or any part of the farm poundage quota for the farm to any other farm owned or controlled by the owner or operator that is in the same county or in a county contiguous to the county in the same State and that had a farm poundage quota for the preceding year's crop. Any farm poundage quota transferred under this paragraph shall not result in any reduction in the farm poundage quota for the transferring farm if the transferred quota is produced or considered produced on the receiving farm.

(3) TRANSFERS IN THE STATES WITH SMALL QUOTAS.—Notwithstanding paragraphs (1) and (2), in the case of any State for which the poundage quota allocated to the State was less than 10,000 tons for the preceding year's crop, all or any part of a farm poundage quota may be transferred by sale or lease or otherwise from a farm in one county to a farm in another county in the same State.

(b) CONDITIONS.—Transfers (including transfer by sale or lease) of farm poundage quotas under this section shall be subject to all of the following conditions:

(1) LIENHOLDERS.—No transfer of the farm poundage quota from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders.

(2) TILLABLE CROPLAND.—No transfer of the farm poundage quota shall be permitted if the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) determines that the receiving farm

does not have adequate tillable cropland to produce the farm poundage quota.

(3) RECORD.—No transfer of the farm poundage quota shall be effective until a record thereof is filed with the county committee of the county to which the transfer is made and the committee determines that the transfer complies with this section.

(4) OTHER TERMS.—Such other terms and conditions that the Secretary may by regulation prescribe.

(c) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of peanuts.

SEC. 358c. EXPERIMENTAL AND RESEARCH PROGRAMS FOR PEANUTS.

(a) IN GENERAL.—Notwithstanding any other provision of this Act, as determined and approved by the Secretary, the Secretary may permit a portion of the poundage quota for peanuts apportioned to any State to be used for experimental and research purposes by land grant colleges and universities and, as appropriate, the Agricultural Research Service of the Department of Agriculture.

(b) DUTIES.—The responsibility for complying with the duties of the farm operator with respect to the production of the quota peanuts shall be vested in the director of the Agricultural Experiment Station for the State.

(c) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of peanuts.

MARKETING PENALTIES

SEC. 359.

* * * * * * *

[(f)–(l)]

[(m)(1)(A) The marketing of any peanuts for domestic edible use in excess of the farm poundage quota for the farm on which such peanuts are produced shall be subject to penalty at a rate equal to 140 per centum of the support price for quota peanuts for the marketing year in which such marketing occurs.

[(B) For purposes of this section, the marketing year for peanuts shall be the 12-month period beginning August 1 and ending July 31.

[(C) The marketing of any additional peanuts from a farm shall be subject to the same penalty unless such peanuts, in accordance with regulations established by the Secretary, are—

[(i) placed under loan at the additional loan rate in effect for such peanuts under section 108B of the Agricultural Act of 1949 and not redeemed by the producers;

[(ii) marketed through an area marketing association designated pursuant to section 108B(3)(A) of the Agricultural Act of 1949; or

[(iii) marketed under contracts between handlers and producers pursuant to subsection (q).

[(2) Such penalty shall be paid by the person who buys or otherwise acquires the peanuts from the producers or, if the peanuts are marketed by the producer through an agent, the penalty shall be

paid by such agent. Such person or agent may deduct an amount equivalent to the penalty from the price paid to the producer.

[(3) If the person required to collect the penalty fails to collect such penalty, such person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof shall be jointly and severally liable for the amount of the penalty.

[(4) Peanuts produced in a calendar year in which farm poundage quotas are in effect for the marketing year beginning therein shall be subject to such quota even though the peanuts are marketed prior to the date on which such marketing year begins.

[(5) If any producer falsely identifies or fails to certify planted acres of fails to account for the disposition of any peanuts produced on such planted acres, an amount of peanuts equal to the farm's average yield, as determined under section 358(t), times the planted acres, shall be deemed to have been marketed in violation of permissible uses of quota and additional peanuts. Any penalty payable under this paragraph shall be paid and remitted by the producer.

[(6) The Secretary shall authorize, under such regulations as the Secretary shall issue, the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act to waive or reduce marketing penalties provided for under this subsection in cases which such committees determine that the violations that were the basis of the penalties were unintentional or without knowledge on the part of the parties concerned.

[(7) Errors in weight that do not exceed one-tenth of 1 percent in the case of any one marketing document shall not be considered to be marketing violations except in cases of fraud or conspiracy.

[(n)(1) Only quota peanuts may be retained for use as seed or for other uses on a farm. When so retained, quota peanuts shall be considered as marketings of quota peanuts, except that the Secretary may exempt from consideration as marketings of quota peanuts seeds of peanuts that are used to produce peanuts excluded under subsection (c), are unique strains, and are not commercially available.

[(2) Additional peanuts shall not be retained for use on a farm and shall not be marketed for domestic edible use, except as provided in subsection (r).

[(3) Seed for planting of any peanut acreage in the United States shall be obtained solely from quota peanuts marketed or considered marketed for domestic edible use.

[(o) On a finding by the Secretary that the peanuts marketed from any crop for domestic edible use by a handler or larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the quota peanuts acquired by such handler from such crop for such marketing, such handler shall be subject to a penalty equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts that the Secretary determines are in excess of the quantity, grade, or quality of the peanuts that could reasonably have been produced from the peanuts so acquired.

[(p)(1) Except as provided in paragraph (2), the Secretary shall require that the handling and disposal of additional peanuts be supervised by agents of the Secretary or by area marketing associa-

tions designated pursuant to section 108B(3)(A) of the Agricultural Act of 1949.

[(2)(A) Supervision of the handling and disposal of additional peanuts by a handler shall not be required under paragraph (1) if the handler agrees in writing, prior to any handling or disposal of such peanuts, to comply with regulations that the Secretary shall issue.

[(B) The regulations issued by the Secretary under subparagraph (A) shall include, but need not be limited to, the following provisions:

[(i) Handlers of shelled or milled peanuts may export peanuts classified by type in all of the following quantities.

[(I) Sound split kernel peanuts in an amount equal to twice the poundage of such peanuts purchased by the handler as additional peanuts.

[(II) Sound mature kernel peanuts in an amount equal to the poundage of such peanuts purchased by the handler as additional peanuts less the amount of sound split kernel peanuts purchased by the handler as additional peanuts.

[(III) The remaining quantity of total kernel content of peanuts purchased by the handler as additional peanuts and not crushed domestically.

[(ii) Handlers shall ensure that any additional peanuts exported are evidenced by onboard bills of lading, other appropriate documentation as may be required by the Secretary, or both.

[(iii) If a handler suffers a loss of peanuts as a result of fire, flood, or any other condition beyond the control of the handler, the portion of such loss allocated to contracted additional peanuts shall not be greater than the portion of the handler's total peanut purchases for the year attributable to contracted additional peanuts purchased for export by the handler during such year.

[(iv)(I) The obligation of a handler to export peanuts in quantities described in this subparagraph shall be reduced by a shrinkage allowance, to be determined by the Secretary, to reflect actual dollar value shrinkage experienced by handlers in commercial operations, except that such allowance shall not be less than 4½ percent, except as provided in subclause (II).

[(II) The Secretary may provide a lower shrinkage allowance for a handler who fails to comply with restrictions on the use of peanuts, as may be specified by the Commodity Credit Corporation, to take into account common industry practices.

[(3) A handler shall submit to the Secretary adequate financial guarantees, as well as evidence of adequate facilities and assets, to ensure the handler's compliance with the obligation to export peanuts.

[(4) Quota and additional peanuts of like type and segregation or quality may, under regulations issued by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

[(5)(A) Except as provided in subparagraph (B), the failure by a handler to comply with regulations issued by the Secretary governing the disposition and handling of additional peanuts shall subject

the handler to a penalty at a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts involved in the violation.

[(B) A handler shall not be subject to a penalty for failure to export additional peanuts if such peanuts were not delivered to the handler.

[(6) If any additional peanuts exported by a handler are reentered into the United States in commercial quantities as determined by the Secretary, the importer thereof shall be subject to a penalty ar a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts reentered.

[(q)(1) Handlers may, under such regulations as the Secretary may issue, contract with prodcers for the purchase of additional peanuts for crushing, export, or both.

[(2) Any such contract shall be completed and submitted to the Secretary (or if designated by the Secretary, the area marketing association) for approval before August 1 of the year in which the crop is produced.

[(3) Each such contract shall contain the final price to be paid by the handler for the peanuts involved and a specific prohibition against the disposition for the peanuts for domestic edible or seed use.

[(r)(1) Subject to section 407 of the Agricultural Act of 1949, any peanuts owned or controlled by the Commodity Credit Corporation may be made available for domestic edible use, in accordance with regulations issued by the Secretary, so long as doing so does not result in substantially increased cost to the Commodity Credit Corporation. Additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to such peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus—

[(A) not less than 100 percent of the loan value of quota peanuts if the additional peanuts are sold and paid for during the harvest season on delivery by and with the written consent of the producer;

[(B) not less than 105 percent of the loan value of quota peanuts if the additional peanuts are sold after delivery by the producer but not later than December 31 of the marketing year; or

[(C) not less than 107 percent of the loan value of quota peanuts if the additional peanuts are sold later than December 31 of the marketing year.

[(2)(A) Except as provided in subparagraph (B), for the period from the date additional peanuts are delivered for loan to March 1 of the calendar year following the year in which such additional peanuts were harvested, the area marketing association designated pursuant to section 108B(3)(A) of the Agricultural Act of 1949 shall have sole authority to accept or reject lot list bids when the sale price, as determined under this subsection, equals or exceeds the minimum price at which the Commodity Credit Corporation may sell its stocks of additional peanuts.

[(B) The area marketing association and the Commodity Credit Corporation may agree to modify the authority granted by subparagraph (A) to facilitate the orderly marketing of additional peanuts.

[(s)(1) The peson liable for payment or collection of any penalty provided for in this section shall be liable also for interest thereon at a rate per annum equal to the rate per annum of interest that was charged the Commodity Credit Corporation by the Treasury of the United States on the date such penalty became due.

[(2) This section shall not apply to peanuts produced on any farm on which the acreage harvested for nuts in one acre or less if the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm.

[(3) Until the amount of the penalty provided by this section is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crop of peanuts subject to farm poundage quotas in which the person liable for payment of the penalty has an interest, shall be in effect in favor of the United States.

[(4)(A) Notwithstanding any other provision law, the liability for and the amounts of any penalty assessed under this section shall be determined in accordance with such procedures as the Secretary by regulation may prescribe. The facts constituting the basis for determining the liability for or amount of any penalty assessed under this section, when officially determined in conformity with the applicable regulations prescribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

[(B) Nothing in this section shall be construed as prohibiting any court of competent jurisdiction from reviewing any determination made by the Secretary with respect to whether such determination was made in conformity with the applicable law and regulations.

[(C) All penalties imposed under this section shall for all purposes be considered civil penalties.

[(5)(A) Notwithstanding any other provision of law and except as provided in subparagraph (B), the Secretary may reduce the amount of any penalty assessed against handlers under this section if the Secretary finds that the violation on which the penalty is based was minor or inadvertent, and that the reduction of the penalty will not impair the operation ~~of the~~ peanut program.

[(B) The amount of any penalty imposed on a handler under this section that resulted from the failure to export contracted additional peanuts may not be reduced by the Secretary.]

SEC. 359a. MARKETING PENALTIES AND DISPOSITION OF ADDITIONAL PEANUTS FOR 1991 THROUGH 1995 CROPS OF PEANUTS.

(a) MARKETING PENALTIES.—

(1) IN GENERAL.—

(A) MARKETING PEANUTS IN EXCESS OF QUOTA.—The marketing of any peanuts for domestic edible use in excess of the farm poundage quota for the farm on which the peanuts are produced shall be subject to penalty at a rate equal to 140 percent of the support price for quota peanuts for the marketing year in which the marketing occurs.

(B) MARKETING YEAR.—For purposes of this section, the marketing year for peanuts shall be the 12-month period beginning August 1 and ending July 31.

(C) MARKETING ADDITIONAL PEANUTS.—The marketing of any additional peanuts from a farm shall be subject to the same penalty unless the peanuts, in accordance with regulations established by the Secretary, are—

(i) placed under loan at the additional loan rate in effect for the peanuts under section 108 of the Agricultural Act of 1949 and not redeemed by the producers;

(ii) marketed through an area marketing association designated pursuant to section 108(c)(1) of the Agricultural Act of 1949; or

(iii) marketed under contracts between handlers and producers pursuant to subsection (f).

(2) PAYER.—The penalty shall be paid by the person who buys or otherwise acquires the peanuts from the producer or, if the peanuts are marketed by the producer through an agent, the penalty shall be paid by the agent. The person or agent may deduct an amount equivalent to the penalty from the price paid to the producer.

(3) FAILURE TO COLLECT.—If the person required to collect the penalty fails to collect the penalty, the person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof shall be jointly and severally liable with such persons who failed to collect the penalty for the amount of the penalty.

(4) APPLICATION OF QUOTA.—Peanuts produced in a calendar year in which farm poundage quotas are in effect for the marketing year beginning therein shall be subject to the quotas even though the peanuts are marketed prior to the date on which the marketing year begins.

(5) FALSE INFORMATION.—If any producer falsely identifies, fails to accurately certify planted acres, or fails to account for the disposition of any peanuts produced on the planted acres, a quantity of peanuts equal to the greater of the farm's average or actual yield, as determined by the Secretary, times the planted acres, shall be deemed to have been marketed in violation of permissible uses of quota and additional peanuts. Any penalty payable under this paragraph shall be paid and remitted by the producer.

(6) UNINTENTIONAL VIOLATIONS.—The Secretary shall authorize, under such regulations as the Secretary shall issue, the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to waive or reduce marketing penalties provided for under this subsection cases which the committees determine that the violations that were the basis of the penalties were unintentional or without knowledge on the part of the parties concermed.

(7) DE MINIMIS VIOLATIONS.—Errors in weight that do not exceed one-tenth of 1 percent in the case of any one marketing document shall not be considered to be marketing violations except in cases of fraud or conspiracy.

(b) USE OF QUOTA AND ADDITIONAL PEANUTS.—

(1) QUOTA PEANUTS.—Only quota peanuts may be retained for use as seed or for other uses on a farm. When peanuts are so retained, such retention shall be considered as marketings of quota peanuts, except that the Secretary may exempt from consideration as marketings of quota peanuts seeds of peanuts for the quantity involved that are used to produce peanuts excluded under section 359(c), are unique strains, and are not commercially available.

(2) ADDITIONAL PEANUTS.—Additional peanuts shall not be retined for use on a farm and shall not be marketed for domestic edible use, except as provided in subsection (g).

(3) SEED.—Except as provided in paragraph (1), seed for planting of any peanut acreage in the United States shall be obtained solely from quota peanuts marketed or considered marketed for domestic edible use.

(c) MARKETING PEANUTS WITH EXCESS QUANTITY, GRADE, OR QUALITY.—On a finding by the Secretary that the peanuts marketed from any corp for domestic edible use by a handler are larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the quota peanuts acquired by the handler from the crop for the marketing, the handler shall be subject to a penalty equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts that the Secretary determines are in excess of the quantity, grade, or quality of the peanuts that could reasonably have been produced from the peanuts so acquired.

(d) HANDLING AND DISPOSAL OF ADDITIONAL PEANUTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary shall require that the handling and disposal of additional peanuts be supervised by agents of the Secretary or by area marketing associations designated pursuant to section 108(c)(1) of the Agricultural Act of 1949.

(2) SUPERVISION BY NONHANDLERS.—

(A) IN GENERAL.—Supervision of the handling and disposal of additional peanuts by a handler shall not be required under paragraph (1) if the handler agrees in writing, prior to any handling or disposal of the peanuts, to comply with regulations that the Secretary shall issue.

(B) REGULATIONS.—The regulations issued by the Secretary under subparagraph (A) shall include the following provisions:

(i) TYPES OF EXPORTED OR CRUSHED PEANUTS.—Handlers of shelled or milled peanuts may report or crush peanuts classified by type in all of the following quantities:

(I) SOUND SPLIT AND MATURE KERNEL PEANUTS.—Sound split kernel peanuts, and sound mature kernel peanuts, in a quantity equal to the combined poundage of such peanuts purchased by the handler as additional peanuts. There shall be no limit on the quantity of sound splits that may be delivered by producers nor shall discounts be imposed on the prices paid to producers for the peanuts based on the proportion of sound splits to sound

mature kernels in the deliveries, except that premiums may be paid for deliveries of peanuts with fewer sound splits proportionally than sound mature kernels as provided in section 403 of the Agricultural Act of 1949 (7 U.S.C. 1423).

(II) REMAINDER.—The remainder quantity of total kernel content of peanuts purchased by the handler as additional peanuts.

(ii) DOCUMENTATION.—Handlers shall ensure that any additional peanuts exported or crushed are evidenced by onboard bills of lading or other appropriate documentation as may be required by the Secretary, or both.

(iii) LOSS OF PEANUTS.—If a handler suffers a loss of peanuts as a result of fire, flood, or any other condition beyond the control of the handler, the portion of the loss allocated to contracted additional peanuts shall not be greater than the portion of the handler's total peanut purchases for the year attributable to contracted additional peanuts purchased for export or crushing by the handler during the year.

(iv) SHRINKAGE ALLOWANCE.—

(I) IN GENERAL.—The obligation of a handler to export or crush peanuts in quantities described in this subparagraph shall be reduced by a shrinkage allowance, to be determined by the Secretary, to reflect actual dollar value shrinkage experienced by handlers in commercial operations, except that the allowance shall not be less than 4 percent, except as provided in subclause (II).

(II) COMMON INDUSTRY PRACTICES.—The Secetary may provide a lower shrinkage allowance for a handler who fails to comply with restrictions on the use of peanuts, as may be specified by the Commodity Credit Corporation, to take into account common industry practices.

(3) ADEQUATE FINANCES AND FACILITIES.—A handler shall submit to the Secretary adquate financial guarantees, as well as evidence of adequate facilities and assets, with the facilities under the control and operation of the handler, to ensure the handler's compliance with the obligation to export peanuts.

(4) COMMINGLING OF LIKE PEANUTS.—Quota and additional peanuts of like type and segregation or quality may, under regulations issued by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

(5) PENALTY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the failure by a handler to comply with regulations issued by the Secretary governing the disposition and handling of additional peanuts shall subject the handler to a penalty at a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts involved in the violation.

(B) NONDELIVERY.—A handler shall not be subject to a peanlty for failure to export additional peanuts if the peanuts were not delivered to the handler.

(6) REENTRY OF EXPORTED PEANUTS.—If any additional peanuts exported by a handler are reentered into the United States in commercial quanties as determined by the Secretary, the importer thereof shall be subject to a penalty at a rate equal to 140 percent of the loan level for quota peanuts on the quantity of peanuts reentered.

(e) SPECIAL EXPORT CREDITS.—Notwithstanding any other provisions of this Act, the Secretary shall, with due regard for the integrity of the peanut program, promulgate regulations that will permit any handler of peanuts who manufactures peanut products from domestic edible peanuts to export the products and receive credit for the fulfillment of export obligations for the peanut content of the products against which the export credits the handler may thereafter apply, up to the amount thereof, equivalent quantities of additional peanuts of the same type acquired by the handler and used in the domestic edible market. The peanuts so acquired for the domestic edible market as provided in this subsection shall be of the same crop year as the peanuts used in the manufacture of the products so exported.

(f) CONTRACTS FOR PURCHASE OF ADDITIONAL PEANUTS.—

(1) IN GENERAL.—Handlers may, under such regulations as the Secretary may issue, contract with producers for the purchase of additional peanuts for crushing or export, or both.

(2) SUBMISSION TO SECRETARY.—Any such contract shall be completed and submitted to the Secretary (or if designated by the Secretary, the area marketing association) for approval before December 16 of the year in which the crop is produced.

(3) FORM.—The contract shall be executed on a form prescribed by the Secretary. The form shall require such information as the Secretry determines appropriate to ensure the proper handling of the additional peanuts, including the identity of the contracting parties, the poundage, and category of the peanuts, the disclosure of any liens, and the intended disposition of the peanuts.

(4) INFORMATION FOR HANDLING AND PROCESS ADDITIONAL PEANUTS.—Notwithstanding any other provision of this section, any person wishing to handle and process additional peanuts as a handler shall submit to the Secretary (or if designated by the Secretary, the area marketing association), such information as may be required under subsection (d) by such date as prescribed by the Secretary so as to permit final action to be taken on the application by July 1 of each marketing year.

(5) TERMS—Each such contract shall contain the final price to be paid by the handler for the peanuts involved and a specific prohibition against the disposition of the peanuts for domestic edible or seed use.

(6) SUSPENSION OF RESTRICTIONS ON IMPORTED PEANUTS.—Notwithstanding any other provision of tnis Act, if the President issues a proclamation under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, temporarily

suspending restrictions on the importation of peanuts, the Secretary shall, subject to such terms and conditions as the Secretary may prescribe, permit a handler, with the written consent of the producer, to purchase additional peanuts from any producer who contracted with the handler and to offer the peanuts for sale for domestic edible use.

(g) MARKETING OF PEANUTS, OWNED OR CONTROLLED BY THE COMMODITY CREDIT CORPORATION.—

(1) IN GENERAL.—Subject to section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427), any peanuts owned or controlled by the Commodity Credit Corporaton may be made available for domestic edible use, in accordance with regulations issued by the Secretary, so long as doing so does not result in substantially increased cost to the Commodity Credit Corporation. Additional peanuts received under loan shall be offered for sale for domestic edible use at prices not less than those required to cover all costs incurred with respect to the peanuts for such items as inspection, warehousing, shrinkage, and other expenses, plus—

(A) not less than 100 percent of the loan value of quota peanuts if the additional peanuts are sold and paid for during the harvest season on delivery by and with the written consent of the producer;

(B) not less than 105 percent of the loan value of quota peanuts if the additional peanuts are sold after delivery by the producer but not later than December 31 of the marketing year; or

(C) not less than 107 percent of the loan value of quota peanuts if the additional peanuts are sold later than December 31 of the marketing year.

(2) ACCEPTANCE OF BIDS BY AREA MARKETING ASSOCIATIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), for the period from the date additional peanuts are delivered for loan to March 1 of the calendar year following the year in which the additional peanuts were harvested, the area marketing association designated pursuant to section 108(c)(1) of the Agricultural Act of 1949 shall have sole authority to accept or reject lot list bids when the sales price, as determined under this subsection, equals or exceeds the minimum price at which the Commodity Credit Corporation may sell its stocks of additional peanuts.

(B) MODIFICATION.—The area marketing association and the Commodity Credit Corporation may agree to modify the authority granted by subparagraph (A) to facilitate the orderly marketing of additional peanuts.

(3) SPECIAL RULE.—Notwithstanding any other provision of law, whenever the Secretary finds that one or more area marketing associations are withholding from sale stocks of peanuts under price support loans without justifiable cause, the Secretary shall direct the association or associations to make the peanuts available for sale.

(h) ADMINISTRATION.—

(1) INTEREST.—The person liable for payment or collection of any penalty provided for in this section shall be liable also for

interest thereon at a rate per annum equal to the rate per annum of interest that was charged the Commodity Credit Corporation by the Treasury of the United States on the date the penalty became due.

(2) DE MINIMIS QUANTITY.—This section shall not apply to peanuts produced on any farm on which the acreage harvested for nuts is one acre or less if the producers who share in the peanuts produced on the farm do not share in the peanuts produced on any other farm.

(3) LIENS.—Until the amount of the penalty provided by this section is paid, a lien on the crop of peanuts with respect to which the penalty is incurred, and on any subsequent crop of peanuts subject to farm poundage quotas in which the person liable for payment of the penalty has an interest, shall be in effect in favor of the United States.

(4) PENALTIES.—

(A) PROCEDURES.—Notwithstanding any other provision of law, the liability for and the amount of any penalty assessed under this section shall be determined in accordance with such procedures as the Secretary by regulation may prescribe. The facts constituting the basis for determining the liability for or amount of any penalty assessed under this section, when officially determined in conformity with the applicable regulations prescribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

(B) JUDICIAL REVIEW.—Nothing in this section shall be construed as prohibiting any court of competent jurisdiction from reviewing any determination made by the Secretary with respect to whether the determination was made in conformity with the applicable law and regulations.

(C) CIVIL PENALTIES.—All penalties imposed under this section shall for all purposes be considered civil penalties.

(5) REDUCTION OF PENALTIES.—

(A) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subparagraph (B), the Secretary may reduce the amount of any penalty assessed against handlers under this section by any appropriate amount, including, in an appropriate case, eliminating the penalty entirely, if the Secretary finds that the violation on which the penalty is based was minor or inadvertent, and that the reduction of the penalty will not impair the operation of the peanut program.

(B) FAILURE TO EXPORT CONTRACTED ADDITIONAL PEANUTS.—The amount of any penalty imposed on a handler under this section that resulted from the failure to export or crush contracted additional peanuts shall not be reduced by the Secretary.

(i) CROPS.—Notwithstanding any other provision of law, this section shall be effective only for the 1991 through 1995 crops of peanuts.

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PART II—ADJUSTMENT OF QUOTAS AND ENFORCEMENT

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REPORTS AND RECORDS

SEC. 373. (a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, peanuts, or tobacco, and all ginners of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, peanuts, or tobacco from producers, all persons engaged in the business of redrying, prizing, or stemming tobacco for producers, all producers engaged in the production of peanuts, *all producers engaged in the production of peanuts,* all brokers and dealers in peanuts, agents marketing peanuts for producers, or acquiring peanuts for buyers and dealers, and all peanut growers' cooperative associations, all persons engaged in the business of cleaning, shelling, crushing, and salting of peanuts and the manufacture of peanut products, and all persons owning or operating peanut-picking or peanut-threshing machines. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $500; and any tobacco warehouseman or dealer who fails to remedy such violation by making a complete and accurate report or keeping a complete and accurate record as required by this subsection within fifteen days after notice to him of such violation shall be subject to an additional fine of $100 for each ten thousand pounds of tobacco, or fraction thereof, bought or sold by him after the date of such violation: *Provided,* That such fine shall not exceed $5,000; and notice of such violation shall be served upon the tobacco warehouseman or dealer by mailing the same to him by registered mail or by certified mail or by posting the same at any established place of business operated by him, or both.

(b) Farmers engaged in the production of corn, wheat, cotton, rice, peanuts, or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in the form of records, marketing cards, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

(c) All data reported to or acquired by the Secretary pursuant to this section shall be kept confidential by all officers and employees of the Department, and only such data so reported or acquired as

the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under this title. Nothing in this section shall be deemed to prohibit the issuance of general statements based upon the reports of a number of parties which statements do not identify the information furnished by any person.

MEASUREMENT OF FARMS AND REPORT OF PLANTINGS

SEC. 374. (a) The Secretary shall provide for ascertaining, by measurement or otherwise, the acreage of any agricultural commodity or land use on farms for which the ascertainment of such acreage is necessary to determine compliance under any program administered by the Secretary. Insofar as practicable, the acreage of the commodity and land use shall be ascertained prior to harvest, and, if any acreage so ascertained is not in compliance with the requirements of the program the Secretary, under such terms and conditions as he prescribes, may provide a reasonable time for the adjustment of the acreage of the commodity or land use to the requirements of the progrm. Where cotton is planted in skiprow patterns, the same rules that were in effect for the 1971 through 1973 crops for classifying the acreage planted to cotton and the area skipped shall also apply to the 1974 through [1990 crops] *1995 crops, except that, for the 25 1990 through 1995 crops, the rules shall allow the Secretary to take other skiprow practices into account for classifying the acreage planted to cotton and the acreage skipped and the Secretary shall take other practices into account.*

(b) With respect to cotton, the Secretary, upon such terms and conditions as he may by regulation prescribe, shall provide, through the county and local committees for the measurement prior to planting of an acreage on the farm equal to the farm acreage allotment if so requested by the farm operator, and any farm on which the acreage planted to cotton does not exceed such measured acreage shall be deemed to be in compliance with the farm acreage allotment.

(c) The Secretary shall by appropriate regulations provide for the remeasurement upon request by the farm operator of the acreage planted to such commodity on the farm and for the measurement of the acreage planted to such commodity on the farm remaining after any adjustment of excess acreage hereunder and shall prescribe the conditions under which the farm operator shall be required to pay the county committee for the expense of the measurement of adjusted acreage or the expense of remeasurement after the initial measurement or the measurement of adjusted acreage. The regulations shall also provide for the refund of any deposit or payment made for the expense of the remeasurement of the initially determined acreage or the adjusted acreage when because of an error in the determination of such acreage the remeasurement brings the acreage within the allotment or permitted acreage or results in a change in acreage in excess of a reasonable variation normal to measurements of acreage of the commodity. Unless the requirements for measurement of adjusted acreage are met by the farm operator, the acreage prior to such adjustment as determined by the county committee shall be considered the acreage of

the commodity on the farm in determining whether the applicable farm allotment has been exceeded.

AGRICULTURAL ACT OF 1954

TITLE I

SEC. 101. MAXIMUM AND MINIMUM QUANTITIES FOR SET-ASIDE: DEFINITION.

The Commodity Credit Corporation shall, as rapidly as the Secretary of Agriculture shall determine to be practicable, set aside within its inventories not more than the following maximum quantities and not less than the following minimum quantities of agricultural commodities or products thereof heretofore or hereafter acquired by it from 1954 and prior year's crops and production in connection with its price support operations:

Commodity	Maximum quantity	Minimum quantity
Wheat (bushels)	500,000,000	400,000,000
Upland cotton (bales)	4,000,000	3,000,000
Cottonseed oil (pounds)	500,000,000	0
Butter (pounds)	200,000,000	0
Nonfat dry milk solid (pounds)	300,000,000	0
Cheese (pounds)	150,000,000	0

Such quantities shall be known as the "commodity set-aside".

SEC. 102. DETERMINATION OF COMMODITY VALUE FOR SET-ASIDE.

Quantities of commodities shall not be included in the commodity set-aside which have an aggregate value in excess of $2,500,000,000. The value of the commodities placed in the commodity set-aside, for the purposes of this section, shall be the Corporation's investment in such commodities as of the date they are included in the commodity set-aside, as determined by the Secretary.

SEC. 103. REDUCTION OF SET-ASIDE.

(a) Such commodity set-aside shall be reduced by disposals made in accordance with the directions of the President as follows:

(1) Donation, sale, or other disposition for disaster or other relief purposes outside the United States pursuant to and subject to the limitations of subchapter III of chapter 41 of this title;

(2) Sale or barter (including barter for strategic materials) to develop new or expanded markets for American agricultural commodities, including but not limited to disposition pursuant to and subject to the limitations of subchapter II of chapter 41 of this title;

(3) Donation to school-lunch programs;

(4) Transfer to the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.), without reimbursement from funds appropriated for the purposes of that Act;

(5) Donation, sale, or other disposition for research, experimental, or educational purposes;

(6) Donation, sale, or other disposition for disaster relief purposes in the United States or to meet any national emergency declared by the President; and

(7) Sale for unrestricted use to meet a need for increased supplies at not less than 105 per centum of the parity price in the case of agricultural commodities and a price reflecting 105 per centum of the parity price of the agricultural commodity in the case of products of agricultural commodities.

The President shall prescribe such terms and conditions for the disposal of commodities in the commodity set-aside as he determines will provide adequate safeguards against interference with normal marketings of the supplies of such commodities outside the commodity set-aside. Strategic materials acquired by the Commodity Credit Corporation under paragraph (2) of this subsection shall be transferred to the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act [50 U.S.C.A. § 98 et seq.], and the Commodity Credit Corporation shall be reimbursed for the value of the commodities bartered for such strategic materials from funds appropriated for the purposes of that Act. For the purpose of such reimbursement, the value of any commodity so bartered shall be the lower of the domestic market price or the Commodity Credit Corporation's investment therein as of the date of such barter, as determined by the Secretary of Agriculture.

(b) The quantity of any commodity in the commodity set-aside shall be reduced to the extent that the Commodity Credit Corporaton inventory of such commodity is reduced, by natural or other cause beyond the control of the Corporation, below the quantity then charged to the commodity set-aside.

SEC. 104. SALE OF COMMODITIES IN SET-ASIDE; EXEMPTION FROM PRICING LIMITATIONS.

(a) The Corporation shall have authority to sell, without regard to section 1743(a)(7) of this title, any commodity covered by the commodity set-aside for the purpose of rotating stocks or consolidating inventories, any such sale to be offset by purchase of the same commodity in a substantially equivalent quantity or of a substantially equivalent value.

(b) Dispositions pursuant to this chapter shall not be subject to the pricing limitations of section 1427 of this title.

SEC. 105. COMPUTATION OF CARRYOVER.

The quantity of any commodity in the commodity set-aside or transferred from the set-aside to the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.) shall be excluded from the computation of "carryover" for the purpose of determining the price support level for such commodity under the Agricultural Act of 1949, as amended, [7 U.S.C.A. § 1421 et seq.], and related legislation, but shall be included in the computation of total supplies for purposes of acreage allotments and marketing quotas under the Agricultural Adjustment Act of 1938, as amended [7 U.S.C.A. § 1281 et seq.], and related legislation. Until such time as the commodity set-aside has been completed, such quantity of the commodity as the Secretary

shall determine between the maximum and minimum quantities specified in section 1741 of this title shall be excluded from the computations of "carryover" for the purpose of determining the price support level, but shall be included in the computation of total supplies for purposes of acreage allotments and marketing quotas, for the 1955 crop of the commodity, notwithstanding that the quantity so excluded may not have been acquired by the Corporation and included in the commodity set-aside.

SEC. 106. RECORDS AND ACCOUNTS.

The Commodity Credit Corporation shall keep such records and accounts as may be necessary to show, for each commodity set-aside, the initial and current composition, value (in accordance with section 1742 of this title), current investment, quantity disposed of, method of disposition, and amounts received on disposition.

SEC. 107. AUTHORIZATION OF APPROPRIATIONS; DETERMINATION OF VALUE OF TRANSFERRED COMMODITY.

In order to make payment to the Commodity Credit Corporation for any commodities transferred to the national stockpile pursuant to section 1743(a)(4) of this title, there are authorized to be appropriated amounts equal to the value of any commodities so transferred. The value of any commodity so transferred, for the purpose of this section, shall be the lower of the domestic market price or the Commodity Credit Corporation's investment therein as of the date of transfer to the stockpile, as determined by the Secretary of Agriculture.

SEC. 108. ANNUAL REPORTS BY AGRICULTURAL ATTACHES.

(a) IN GENERAL.—The Secretary shall require appropriate officers and employees of the Department of Agriculture, including those stationed in foreign countries, to prepare and submit annually to the Secretary detailed reports that—

(1) document the nature and extent of—

(A) programs in such countries that provide direct or indirect government support for the export of agricultural commodities and the products thereof;

(B) other trade practices that may impede the entry of United States agricultural commodities and the products thereof into such countries; and

(C) the customary use of the pesticides in the production of agricultural commodities in such countries, except that—

(i) a priority shall be placed on gathering information on agricultural commodities that such country exports to the United States; and

(ii) to the extent practicable, gather information on agricultural commodities that such country may export to the United States via a third country; and

(2) identify opportunities for the export of United States agricultural commodities and the products thereof to such countries.

(b) DUTIES.—The Secretary shall—

(1) annually compile the information contained in reports prepared under subsection (a);

(2) in consultation with the agricultural technical advisory committees established under section 135(c) of the Trade Act of 1974 (19 U.S.C. 2155(c)), include in the compilation a priority ranking of those trade barriers identified in subsection (a) by commodity group;

(3) include in the compilation a list of actions undertaken to reduce or eliminate such trade barriers;

(4) not later than January 15 of each year, make the compilation available to Congress, the trade assistance office authorized under section 504 of the Agricultural Trade Act of 1978 (as amended by section 201), the agricultural policy advisory committee, and other interested parties; and

(5) annually provide the information in reports prepared under subsection (a)(1)(C) to the Secretary of Health and Human Services and the Secretary of the Treasury.

(c) MEETING.—The Secretary and the United States Trade Representaive shall convene a meeting, at least once each year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for actions to be taken by the Federal Government and private industry to—

(1) reduce or eliminate trade barriers or distortions identified in the annual reports required to be submitted under subsections (a) and (b); and

(2) expand United States agricultural export opportunities identified in such annual reports.

SEC. 109. ATTACHE EDUCATIONAL PROGRAM.

The Administrator of the Foreign Agricultural Service shall establish a program within the Service that directs attaches of the Service who are reassigned from abroad to the United States, and other personnel of the Service, to visit and consult with producers and exporters of agricultural commodities and products and State officials throughout the United States concerning various methods to increase exports of United States agricultural commodities and products.

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NATIONAL WOOL ACT OF 1954

SEC. 701. This title may be cited as the "National Wool Act of 1954".

POLICY OF CONGRESS

SEC. 702. It is hereby recognized that wool is an essential, strategic, and energy-efficient commodity which is not produced in the United States in sufficient quantities and grades to meet the domestic needs; and that the desired domestic production of wool is impaired by predatory animals and by the depressing effects of wide fluctuations in the price of wool in the world markets. It is hereby declared to be the policy of Congress, as a measure of national security and to promote the general economic welfare, a position balance of trade, and the efficient use of the Nation's resources, to encourage the continued domestic production of wool at

prices fair to both producers and consumers in a manner which will assure a viable domestic wool industry in the future.

PRICE SUPPORT FOR WOOL AND MOHAIR

SEC. 703. (a) The Secretary of Agriculture shall, through the Commodity Credit Corporation, support the prices of wool and mohair, respectively, to the producers thereof by means of loans, purchases, payments, or other operations. Such price support shall be limited to wool and mohair marketed during the period beginning April 1, 1955, and ending December 21, [1990] *1995.*

(b)(1) Except as provided in paragraphs (2) and (3), the support price for shorn wool for the 1966 and each subsequent marketing year shall be determined by multiplying 62 cents by the ratio of (i) the average of the parity index (the index of prices paid by farmers, including commodities and services, interest, and farm wage rates, as defined in section 301(a)(1)(C) of the Agricultural Adjustment Act of 1938, as amended) for the three calendar years immediately preceding the calendar year in which such price support is determined and announced to (ii) the average parity index for the three calendar years 1958, 1959,and 1960, and rounding the resulting amount to the nearest full cent.

(2) Except as provided in paragraph (3), for the marketing years beginning January 1, 1982, and ending December 31, [1990] *1995,* the support price for shorn wool shall be 77.5 percent (rounded to the nearest full cent) of the amount calculated according to paragraph (1).

(3) For the marketing years beginning January 1, 1988, and ending December 31, 1989, the support price for shorn wool shall be 76.4 percent (rounded to the nearest full cent) of the amount calculated according to paragraph (1).

(c) The support prices for pulled wool and mohair shall be established at such levels, in relationship to the support price for shorn wool, as the Secretary determines will maintain normal marketing practices for pulled wool, and as the Secretary shall determine is necessary to maintain approximately the same percentage of parity for mohair as for shorn wool. The deviation of mohair support prices shall not be calculated so as to cause it to rise or fall more than 15 per centum above or below the comparable percentage of parity at which shorn wool is supported. *Provided,* That for the marketing years beginning January 1, 1971, and ending December 31, 1976, the support price for mohair shall be 80.2 cents per pound, grease basis.

(d) Notwithstanding the foregoing, no price support shall be made available, other than through payments, at a level in excess of 90 per centum of the parity price for the commodity.

(e) The Secretary shall, to the extent practicable, announce the support price levels for wool and mohair sufficiently in advance of each marketing year as will permit producers to plan their production for such marketing year.

(f)(1) Notwithstanding any other provision of law, no person may receive payments under this Act for wool or mohair in excess of $50,000 per year.

(2) The Secretary shall issue regulations defining the term "person" for purposes of this section. The regulations shall be consistent with regulations issued by the Secretary in accordance with sections 1001, 1001A, and 1001B of the Food Security Act of 1985.

PAYMENTS AS MEANS OF PRICE SUPPORT

SEC. 704. If payments are utilized as a means of price support, the payments shall be such as the Secretary of Agriculture determines to be sufficient, when added to the national average price received by producers, to give producers a national average return for the commodity equal to the support price level therefor: *Provided,* That the total of all such payements made under this Act shall not at any time exceed an amount equal to 70 per centum of the accumulated totals as of the same date of the gross receipts from duties collected on and after January 1, 1953, on wool or fine animal hair, and articles thereof, as provided for in the Harmonized Tariff Schedule of the United States. The payments shall be made upon wool and mohair marketed by the producers thereof, but any wool or mohair produced prior to January 1 1955, shall not be the subject of payments. The payments shall be at such rates for the marketing year or periods therof as the Secretary determines will give producers the support price level as herein provided. Payments to any producer need not be made if the Secretary determines that the amount of the payment to the producer or all producers is too small to justify the cost of making such payments. The Secretary may make the payment to producers through the marketing agency to or through whom the producer marketed his wool or mohair: *Provided,* That such marketing agency agrees to receive and promptly distribute the payments on behalf of such producers. In case any person who is entitled to any such payment dies, becomes incompetent, or disappears before receiving such payment, or is succeeded by another who renders or completes the required peformance, the payment shall, without regard to any other provisions of law, be made as the Secretary may determine to be fair and reasonable in all the circumstances as provided by regulation.

AGRICULTURAL ACT OF 1956

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TITLE II—SURPLUS DISPOSAL

PROGRAM OF ORDERLY LIQUIDATION

SEC. 201. (a) The Commodity Credit Corporation shall, as rapidly as possible consistent with ~~its existing~~ authority, the operation of the price support program, and orderly liquidation, dispose of all stocks of agricultural commodities held by it.

[(b) The Secretary shall submit to Congress within ninety days after the enactment of this Act detailed programs, with recommendations for any additional legislation needed to carry out such programs, (1) for the disposition of surplus commodities as required by subsection (a) above; (2) for a food stamp plan or similar program

for distribution through States (including the District of Columbia, the Territories, Puerto Rico and the Virgin Islands) and local units of Government of future surplus production to needy persons in the United States, its Territories, and possessions, so as to prevent the accumulation of commodities in the hands of the Commodity Credit Corporation; and (3) for strategic stockpiling foodstuffs and other agricultural products (A) inside the United States and (B) outside the United States as authorized in section 415 of the Mutual Security Act of 1954. The Secretary shall report annually on his operations under subsection (a) and such reports shall show—

[(1) the quantities of surplus commodities on hand;

[(2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;

[(3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;

[(4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and

[(5) recommendations for additional legislation necessary to accomplish the purpose of this section.]

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FOOD AND AGRICULTURAL ACT OF 1977

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NORMALLY PLANTED ACREAGE AND TARGET PRICES

SEC. 1001. (a) Notwithstanding any other provision of law, whenever a set-aside program is in effect for one or more of the 1982 through [1990] *1995* crops of wheat and feed grains, the Secretary of Agriculture may require, as a condition of eligibility for loans, purchases, and payments for such crops under the Agricultural Act of 1949, that producers not exceed the acreage on the farm normally planted to crops designated by the Secretary, adjusted as deemed necessary by the Secretary to be fair and equitable among producers and reduced by any set-aside or diverted acreage. Such normal crop acreage for any crop year shall be determined as provided by the Secretary. The Secretary may require producers participating in the program to keep such records as the Secretary determines necessary to assist in making such determination.

(b) Notwithstanding any other provision of law—

(1) Whenever the Secretary, for one or more of the 1982 through [1990] *1995* crops of wheat and feed grains, requires that producers not exceed the acreage on the farm normally planted to crops designated by the Secretary in accordance with subsection (a) of this section, the Secretary may increase the established price payments for any such commodity by such amount (or if there are no such payments in effect for such crop by providing for payments in such amount) as the Secretary determines appropriate to compensate producers for not exceeding the acreage on the farm normally planted to

crops designated by the Secretary and participation in any required set-aside with respect to such commodity.

(2) In determining the amount of any payments for any commodity under this subsection, the Secretary shall take into account changes in the costs of production resulting from not exceeding the acreage on the farm normally planted to crops designated by the Secretary and participation in any required set-aside with respect to such commodity.

(3) If payments are provided for any commodity under this subsection, the Secretary may provide for payments for any other commodity in such amount as the Secretary determines necessary for effective operation of the program.

(4) The Secretary shall adjust any payments under this subsection to reflect, in whole or in part, any land diversion payments for the commodity for which an increase is determined.

(c) Notwithstanding any other provision of law, whenever marketing quotas are in effect for any of the 1987 through [1990] *1995* crops of wheat, the Secretary of Agriculture may require, as a condition of eligibility for loans, purchases, and payments on any commodity under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), that the acreage normally planted to crops designated by the Secretary, adjusted as considered necessary by the Secretary to be fair and equitable among producers, shall be reduced by a quantity equal to—

(1) the acreage that the Secretary determines would normally be planted to wheat on a farm; minus

(2) the individual farm program acreage for the farm under [section 107D(d)(3)(A)] *107A(d)(3)(A)* of such Act.

Act of August 13, 1968

To provide indemnity payments to dairy farmers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

Sec. 1. The Secretary of Agriculture is authorized to make indemnity payments for milk or cows producing such milk at a fair market value, to dairy farmers who have been directed since January 1, 1964 (but only since the date of enactment of the Agriculture and Consumer Protection Act of 1973 in the case of indemnity payments not authorized prior to such date of enactment), to remove their milk, and to make indemnity payments for dairy products at fair market value to manufacturers of dairy products who have been directed since the date of enactment of the Agricultural Act of 1970 to remove their dairy products from commercial markets because of residues of chemicals registered and approved for use by the Federal Government at the time of such use. The Secretary is also authorized to make indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of this section if such chemicals or toxic sustances were not

used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer: *Provided,* That no indemnity payment may be made for contamination resulting from such residues of chemicals or toxic substances if the Secretary determines within thirty days after the date of application for payment that other legal recourse is available to the farmer. Any indemnity payment to any farmer shall continue until he has been reinstated and is again allowed to dispose of his milk on commercial markets.

SEC. 2. There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

SEC. 3. The authority granted under this Act shall expire on September 30 [1990] *1995.*

FOOD SECURITY WHEAT RESERVE ACT OF 1980

SEC. 301. This title may be cited as the "Food Security Wheat Reserve Act of 1980".

ESTABLISHMENT OF WHEAT RESERVE

SEC. 302. (a) To provide for wheat reserve solely for emergency humanitarian food needs in developing countries, the President shall establish a reserve stock or wheat of up to four million metric tons for use for the purposes specified in subsection (c) of this section.

(b)(1) The reserve stock of wheat under this section shall be established initially by designation for that purpose by the Secretary of Agriculture of wheat owned by the Commodity Credit Corporation.

(2) Subject to the provisions of subsection (i) of this section stocks of wheat to replenish the reserve may be acquired (A) through purchases from producers or in the market if the Secretary of Agriculture determines that such purchases will not unduly disrupt the market, and (B) by designation by the Secretary of stocks of wheat otherwise acquired by the Commodity Credit Corporation. Any use of funds to acquire wheat through purchases from producers or in the market to replenish the reserve must be authorized in appropriation Acts.

(c) Notwithstanding any other provision of law, stocks of wheat designated or acquired for the reserve under this section may be released by the President to provide, on a donation or sale basis, emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that quantities of wheat cannot be made available for disposition under the Agricultural Trade Development and Assistance Act of 1954, except for urgent humanitarian purposes, under the criteria of section 401(a) of the Act. Notwithstanding the provisions of the preceding sentence, up to three hundred thousand metric tons of wheat may be released from the reserve under this section in any fiscal year, without regard to the domestic supply situation, for use under title II of the Agricultural Trade Development and Assistance Act of 1954 in providing urgent humanitarian relief in any development country suffering a major disaster, as determined by the President, whenever

the wheat needed for relief cannot be programmed for such purpose in a timely manner under the normal means of obtaining commodities for food assistance due to circumstances of unanticipated and exceptional need. Wheat released from the reserve may be processed in the United States and shipped to a developing country in the form of flour when conditions in the recipient country require such processing in the United States.

(d) Wheat released from the reserve for the purposes of subsection (c) of this section shall be made available under the Agricultural Trade Development and Assistance Act of 1945 to meet famine or other urgent or extraordinary relief requirements, except that section 401(a) of that Act, with respect to determinations of availability, shall not be applicable thereto.

(e) The Secretary of Agricultural shall provide for the management of stock of wheat in the reserve as to location and class of wheat needed to meet emergency situations and for the periodic rotation of stock of wheat in the reserve to avoid spoilage and deterioration of such stocks, using programs authorized by the Agricultural Trade Development and Assistance Act of 1954 and any other provision of law, but any quantity of wheat removed from the reserve for the purposes of this subsection shall be promptly replaced with an equivalent quantity of wheat.

(f) Stocks of wheat in the reserve shall not be considered a part of the total domestic supply (including carryover) for the purposes of subsection (c) of this section or for the purposes of administering the Agricultural Trade Development and Assistance Act of 1954 and shall not be subject to any quantitative limitations on exports that may be imposed under section 7 of the Export Administration Act of 1979.

(g)(1) The funds, facilities, and authorities of the Commodity Credit Corporation shall be used by the Secretary of Agriculture in carrying out this section, except that any restriction applicable to the acquisition, storage, or disposition of Commodity Credit Corporation owned or controlled commodities shall not apply with respect to the acquisition, storage, or disposal of wheat for or in the reserve.

(2) Effective beginning October 1, 1981, the Commodity Credit Corporation shall be reimbursed from funds made available for carrying out the Agricultural Trade Development and Assistance Act of 1954 for wheat released from the reserve that is made available under such Act, such reimbursement to be made on the basis of actual costs incurred by the Commodity Credit Corporation with respect to such wheat or the export market price of wheat (as determined by the Secretary) as of the time the wheat is released from the reserve for such purpose, whichever is lower. Such reimbursement may be made from funds appropriated for the purpose in subsequent years.

(h) Any determination by the President or the Secretary of Agriculture under this section shall be final.

(i) The authority to replace stocks of wheat to maintain the reserve under this section shall expire September 30, [1990] *1995*, after which stocks released from the reserve may not be replenished. Stocks of wheat remaining in the reserve after September 30, [1990] *1995*, shall be disposed of by release for use in provid-

ing for emergency food needs in developing countries as provided in this section.

(j) If, for each of the 1991 through 1995 marketing years for wheat, the Secretary determines that the season average price for wheat during the marketing year is less than 140 percent of the loan rate for wheat established under title I of the Agricultural Act of 1949 (7 U.S.C. 1441 et seq.), the Secretary shall take whatever steps are necessary to ensure that stocks in the reserve established under this section equal at least 75 million bushels by the end of the marketing year.

EFFECTIVE DATE

SEC. 303. Except as otherwise provided herein, this title shall become effective October 1, 1980, or the date of enactment, whichever is later.

AGRICULTURE AND FOOD ACT OF 1981

* * * * * * *

SEC. 101(b). The provisions of subsection (a) shall become effective January 1, 1982, and shall terminate December 31, [1990] *1995.*

* * * * * * *

TITLE XII

[SEC. 1203. (a) In order to discourage foreign countries or instrumentalities thereof from using subsidies to promote the exportation of agricultural commodities, the Secretary of Agriculture shall formulate a special standby export subsidy program for agricultural commodities or products thereof produced in the United States. Such program shall be designed to neutralize the effects of export subsidy programs instituted by foreign countries or instrumentalities to encourage exports of their agricultural commodities to foreign markets other than the United States.

[(b) The Secretary may implement the special standby export subsidy program formulated under subsection (a) of this section only after the President—

[(1) makes a determination under section 301 of the Trade Act of 1974 (19 U.S.C. 2411) that action by the United States is appropriate to obtain the elimination of an act, policy, or practice of a foreign country or instrumentality that results in—

[(A) substantial displacement of United States exports of agricultural commodities to foreign markets, or

[(B) prices for agricultural commodities in foreign markets materially below prices which suppliers of the same agricultural commodities produced in the United States must charge in order to supply such commodities to the same markets;

[(2) makes a determination that such act, policy, or practice of the foreign country or instrumentality concerned involves the use of export subsidies to encourage exports of such country's or instrumentality's agricultural commodities to foreign markets other than the United States; and

[(3) fails to reach a mutually acceptable resolution through consultation with the foreign country or instrumentality concerned.

[(c) The Secretary shall use the Commodity Credit Corporation in carrying out the special standby export subsidy program authorized by this section.

[(d) Notwithstanding any other provision of this section, the Secretary shall not implement the special standby export subsidy program for cotton.

[(e) The authority provided under this section shall be in addition to, and not in lieu of, any authority granted to the Secretary or the Commodity Credit Corporation by any other provision of law.]

[SEC. 1204. Nothwithstanding any other provision of law—

[(a) If the President or other member of the executive branch of the Federal Government causes the export of any agricultural commodity to any country or area of the world to be suspended or restricted for reasons of national security or foreign policy under the Export Administration Act of 1979 or any other provision of law, and if such suspension or restriction of the export of such agricultural commodity is imposed other than in connection with a suspension or restriction of all exports from the United States to such country or area of the world, and if sales of such agricultural commodity for export from the United States to such country or area of the world during the year preceding the year in which the suspension or restriction is imposed exceed 3 per centum of the total sales of such commodity for export from the United States to all foreign countries during the year preceding the year in which the suspension or restriction is in effect, the Secretary of Agriculture shall compensate producers of the commodity involved by making payments available to such producers, as provided in subsection (b) of this section.

[(b) If the Secretary makes payments available to producers pursuant to subsection (a) of this section, the amount of such payment shall be determined by—

[(1) in the case of an agricultural commodity for which payments are authorized to be made to producers under title I of the Agricultural Act of 1949, multiplying (A) the producer's farm program payment yield or the yield established for the farm for the commodity involved, times (B) the farm program acreage established for the commodity, times (C) the amount by which the average market price per unit of such commodity received by producers during the sixty-day period immediately following the date of the imposition of the suspension or restriction is less than 100 per centum of the parity price for such commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction; or

[(2) in the case of other agricultural commodities for which price support is authorized for producers under the Agricultural Act of 1949, multiplying the amount by which the average market price per unit of such commodity received by the producers during the sixty-day period immediately following the date of the imposition of the suspension or restriction is less than 100 per centum of the parity price for such commodity, as

determined by the Secretary on the date of the imposition of the suspension or restriction, by the quantity of such commodity sold by the producer during the period that the suspension or restriction is in effect.

[(c) The payments made pursuant to clause (1) of subsection (b) of this section shall be made for each marketing year or part thereof during which the suspension or restriction is in effect and shall be made in equal amounts at ninety-day intervals, beginning ninety days after the date of the imposition of the suspension or restriction.

[(d) The Secretary may issue such regulations as are deemed necessary to carry out the provisions of this section.

[(e) The Secretary shall use the Commodity Credit Corporation in carrying out the provisions of this section.

[(f) The provisions of this section shall become effective with respect to any suspension or restriction of the export of any agricultural commodity, as described in subsection (a) of this section, implemented after the date of enactment of this Act.]

[DEVELOPMENT OF PLANS TO ALLEVIATE ADVERSE IMPACT OF EXPORT EMBARGOES ON AGRICUTURAL COMMODITIES

[SEC. 1205. In order to alleviate, to the maximum extent possible, the adverse impact on farmers, elevator operators, common carriers, and exporters of agricultural commodities when the President or other member of the executive branch of the Federal Government causes the export of any agricultural commodity to any country or area of the world to be suspended or restricted, the Secretary of Agriculture shall—

[(1) develop a comprehensive contingency plan that includes—

[(A) an assessment of existing farm programs with a view to determining whether such programs are sufficiently flexible to enable the Secretary to efficiently and effectively offset the adverse impact of such a suspension or restriction on farmers, elevator operators, common carriers, and exporters of commodities provided for under such programs;

[(B) an evaluation of the kinds and availability of information needed to determine, on an emergency basis, the extent and severity of the impact of such a suspension or restriction on producers, elevator operators, common carriers, and exporters; and

[(C) the development of criteria for determining the extent, if any, to which the impact of such a suspension or restriction should be offset in the case of each of the sectors referred to in clause (1)(B) of this section;

[(2) for any suspension or restriction for which compensation is not provided under section 1204 of this title, develop and submit to Congress such recommendations for changes in existing agricultural programs, or for new programs, as the Secretary considers necessary to handle effectively, efficiently, economically, and fairly the impact of any such suspension or restriction;

[(3) for any suspension or restriction for which compensation is provided under section 1204 of this title, develop and submit to Congress a plan for implementing and administering section 1204; and

[(4) require the Commodity Credit Corporation, before such corporation purchases any contracts for the purpose of offsetting the impact of a commodity suspension or restriction, to—

[(A) prepare an economic justification for each commodity involved in the suspension or restriction to determine if such a purchase is necessary;

[(B) estimate any suspension- or restriction-related benefits and detrimental effects to the exporters, and use both estimates in determining the extent, if any, Federal assistance is needed; and

[(C) limit its purchases to only those types and grades of commodities suspended or restricted from shipment and make such purchases at prices at or near the current market prices.]

* * * * * * *

SEC. 1208.—INCREASED USAGE OF PROTEIN BYPRODUCTS DERIVED FROM ALCOHOL FUEL PRODUCTION.—

(a) PURPOSES.—Congress finds that the use of the protein byproduct resulting from the production of fuel alcohol from agricultural commodities may make it possible for the United States to make available significantly increased amounts of protein to meet the food needs of developing countries without any increase in handling, storage, and transportation facilities. It is the sense of Congress that serious consideration should be given to the potential of this protein byproduct and that, if found to be feasible, this protein byproduct should be included in the Department of Agriculture's commodity export and donation programs.

(b) INVESTIGATIVE AUTHORITIES.—Accordingly, the Secretary of Agriculture shall continue to investigate the potential for using the protein byproduct resulting from the production of fuel alcohol from agricultual commodities in meeting the food needs of developing countries through food for peace programs carried out under the Agricultural Trade Development and Assistance Act of 1954 [7 U.S.C.A. § 1691 et seq.] and through the export credit sales program carried out under section 1707a of this title and section 714c(f) of Title 15.

(c) ADDITIONAL INVESTIGATIVE AUTHORITIES.—The Secretary shall also continue to investigate the potential for using the protein byproduct resulting from the production of fuel alcohol from agricultural commodities in the distribution of food products under the commodity donation program carried out under clause (3) of section 1431 of this title and under section 1859 of this title.

(d) REPORTING REQUIREMENTS.—

(1) Not later than twelve months after December 22, 1981, the Secretary shall include the results of the investigations referred to in subsections (b)(c) of this section in an appropriate report to Congress.

(2) The Secretary shall thereafter provide to Congress each year a description of the efforts being made by the Department to make available, as part of the programs referred to in subsections (b) and (c) of this section, the protein byproduct resulting from the production of fuel alcohol from agricultural commodities. The information for all such programs shall be included in the report submitted pursuant to section 408(a) of *reports submitted to Congress under* the Agricultural Trade Development and Assistance Act of 1954 [7 U.S.C.A § 1736b(a)], or in any other appropriate annual report to Congress.

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DISASTER ASSISTANCE ACT OF 1988

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TITLE III—OTHER EMERGENCY PROVISIONS

Subtitle A—Commodity Stock Adjustment

SEC. 301. SOYBEANS, SUNFLOWERS, AND COTTONSEED AND SUNFLOWER SEED OIL.

(a) PLANTING OF SOYBEANS AND SUNFLOWERS ON PERMITTED ACRES.—(1) Effective for the 1989 and 1990 crops, section 504 of the Agricultural Act of 1949 is amended by adding at the end thereof the following new subsection:

"(e)(1) Notwithstanding any other provision of this Act—

"(A)(i) Effective for the 1989 crops, the Secretary shall permit, subject to subparagraph (B), producers on a farm to plant soybeans or sunflowers on a portion (not less than 10 percent nor more than 25 percent) of the producers' 1989 wheat, feed grain, upland cotton, extra long staple cotton, and rice permitted acreage, as determined by the Secretary.

"(ii) Effective for the 1990 crops, if the Secretary determines that there will be insufficient supplies of soybeans, the Secretary may permit, subject to subparagraph (B), the producers on a farm to plant soybeans or sunflowers on a portion (not less than 10 percent nor more than 25 percent) of the farm's 1990 wheat, feed grain, upland cotton, extra long staple cotton, and rice permitted acreage, as determined by the Secretary.

"(B)(i) For the 1989 crops and, if necessary, the 1990 crops, the Secretary shall establish a sign-up period during which the producers on a farm, participating in the wheat, feed grain, upland cotton, extra long staple cotton, or rice price support and production adjustment program, must state their intentions regarding use of the increased planting provision under subparagraph (A).

"(ii) After termination of the sign-up period under clause (i), the Secretary shall estimate whether, based on the additional soybean and sunflower plantings for the crop, the average market price for that crop of soybeans will be below 115 per-

cent of the loan rate established for the previous crop of soybeans.

"(iii) If the Secretary estimates that the average market price for the crop of soybeans will be below 115 percent of such loan rate, the Secretary shall reduce the percentage of permitted acreage on the farm that may be planted to soybeans and sunflowers to a level, or prohibit such plantings, as necessary to ensure that the average soybean market price does not fall below 115 percent of such loan rate.

"(iv) For each of the 1989 and 1990 crops, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a statement setting forth the reasons for permitting or not permitting producers to plant soybeans or sunflowers on permitted acreage and any reduction in the permitted planting percentage under this subparagraph.

"(C)(1) For the purposes of determining the farm acreage base or the crop acreage bases for the farm, any acreage on the farm on which soybeans or sunflowers are planted under this paragraph shall be considered to be planted to the program crop for which soybeans or sunflowers are substituted.

"(2) The Secretary may not make program benefits other than soybean or sunflower seed price support loans and purchases available to producers with respect to acreage planted to soybeans or sunflowers under paragraph (1) and shall ensure that the crop acreage bases established for the farm and the farm acreage base are not increased due to such plantings.".

(2) Not earlier than February 1, 1989, and not later than March 1, 1989, with respect to the 1989 crop of soybeans, and not later than September 1, 1989, with respect to the 1990 crop of soybeans, the Secretary of Agriculture shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a statement setting forth the reasons for implementing or not implementing the soybean marketing loan program authorized under section 201(i)(3) of the Agricultural Act of 1949 (7 U.S.C. 1446(i)(3)) for such crop. Such statement shall include—

(A) an economic evaluation of current soybean markets, foreign and domestic;

(B) the current foreign soybean production statistics;

(C) the United States soybean export market situation and outlook;

(D) the computation of the prevailing world market price for soybeans, as described in section 201(i)(3)(B) of such Act;

(E) the fiscal effect of the implementation of the marketing loan for soybeans; and

(F) such other factors as the Secretary considers appropriate.

(b) COTTONSEED AND SUNFLOWER SEED OIL.—(1) The Secretary of Agriculture shall determine if the price of cottonseed or cottonseed products is adversely affected by the amendment made by subsection (a)(1). If the Secretary determines that any such price has been adversely affected, the Secretary shall support the price of cottonseed and cottonseed products though loans, purchases, export as-

sistance, or any other form of assistance, as necessary to offset such adverse effect.

[(2)(A) Effective for the fiscal years ending September 30, 1989, and September 30, 1990, the Secretary of Agriculture shall use funds available under section 32 of Public Law 320, Seventy-fourth Congress (7 U.S.C. 612c), to purchase sunflower seed oil and cottonseed oil to facilitate additional export sales of sunflower seed oil and cottonseed oil at competitive prices, as necessary and appropriate to enable United States producers to compete with producers in other countries in world markets. Funds may be made available under this subparagraph only to the extent authorized in advance in appropriations Acts; and such funds shall be in addition to funds made available for the purchase of sunflower seed oil under section 637 of the rural development, agriculture, and related agencies appropriations in section 101(k) of Public Law 100-202.]

(A)(i) Effective for each of the fiscal years 1991 through 1995, $50,000,000 of the funds made available under section 32 of the Act entitled "An Act to amend the Agricultrual Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c) shall, to the extent provided in appropriations Acts, be utilized during each such fiscal year as provided for in paragraph (1) of the second sentence of such Act to encourage the sale of additional quantities of sunflowerseed oil and cottonseed oil in world markets at competitive world prices through the payment of benefits in connection with the exportation of such commodities.

(ii) Clause (i) shall be implemented in such a manner as to maximize the export of such oils by assuring that the sums made available under such clause are fully obligated in the year or years in which—

(I) such sums are made available; and

(II) the domestic prices of such oils exceed competitive world prices.

(iii) In determining sales on which benefits are to be provided under this subparagraph, the Secretary shall take into consideration solely the amount of benefits needed to encourage the sale.

(iv) In carrying out this subparagraph, the Secretary shall ensure that, to the maximum extent practicable, equivalent amounts of funds are used during each fiscal year to encourage the sale of sunflower seed oil and cottonseed oil in world markets.

(B) To the extent practicable, facilitation of cottonseed oil exports shall be accomplished through the use of authorities available to the Secretary other than the authority granted in subparagraph (A).

(3) Except as otherwise provided in paragraph (2)(A), the Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this subsection.

SEC. 302. OATS.

(a) FARM ACREAGE BASES.—Section 503 of the Agricultural Act of 1949 (7 U.S.C. 1463) is amended by adding at the end thereof the following new subsection:

"(c)(1) Notwithstanding any other provision of this Act, effective for each of the 1989 and 1990 crops, if the acreage limitation percentage established for a crop of feed grains under section 105C(f) is

12.5 percent or less, the Secretary shall permit producers on a farm to designate any portion of the farm acreage base (excluding any portion designated as soybean acreage base) for the crop year as acreage base established for oats. For the purposes of determining the farm acreage base or the crop acreage bases for the farm, any acreage on the farm that is designated as oats base under this paragraph and planted to oats for harvest in 1989 or 1990 shall be considered to be planted to the program crop for which oats are substituted.

"(2) The Secretary shall not make program benefits other than benefits available under the program established for oats available to producers with respect to acreage planted to oats under paragraph (1), and shall ensure that the crop acreage bases established for the farm and the farm acreage base are not increased due to such plantings.".

(b) SENSE OF CONGRESS.—It is the sense of Congress that if the acreage limitation requirement established for the 1989 or 1990 crop of feed grains under section 105C(f) of the Agricultureal Act of 1949 is more than 12.5 percent, the Secretary of Agriculture should establish the lowest possible acreage limitation requirement for such crop of oats under section 105C(f) if market imbalances for barley and oats exist.

SEC. 303. PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS.

(a) REPAYMENT OF LOANS.—Effective for the 1988 marketing year for wheat or feed grains, once the market price described in clause (5) of the third sentence of subsection (b) of section 110 of the Agricultural Act of 1949 (7 U.S.C. 1445e) has been reached at any time during such marketing year with respect to such commodity, producers may repay loans made under section 110 for such commodity during the remainder of such marketing year without the payment of a penalty, regardless of the then current market price.

(b) REDEMPTION OF GENERIC CERTIFICATES.—Effective only for the 1988 marketing years for wheat and feed grains, section 110 of the Agricultural Act of 1949 (7 U.S.C. 1445e) is amended by adding at the end thereof the following new subsection:

"(j) Notwithstanding any other provision of law, if a producer has substituted purchased or other commodities for the commodities originally pledged as collateral for a loan made under this section, the producer may repay the loan using a generic commodity certificate that may be exchanged for commodities owned by the Commodity Credit Corporation, if the substitute commodities have been pledged as loan collateral and redeemed only within the same county.".

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PUBLIC LAW 101-220

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SEC. 4. MARKETING AGREEMENTS: EXEMPTION FROM ANTITRUST LAWS; INSPECTION REQUIREMENTS FOR HANDLERS NOT SUBJECT TO AGREEMENTS.—

(a) In order to effectuate the declared policy of this chapter, the Secretary of Agriculture shall have the power, after due notice and opportunity for hearing, to enter into marketing agreements with processors, producers, associations of producers, and other engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: *Provided,* That no such agreement shall remain in force after the termination of this chapter.

(b)(1) If an agreement with the Secretary is in effect with respect to peanuts pursuant to this section—

(A) all peanuts handled by persons who have not entered into such an agreement with the Secretary shall be subject to inspection to the same extent and manner as is required by such agreement; and

(B) no such peanuts shall be sold or otherwise disposed of for human consumption if such peanuts fail to meet the quality requirements of such agreement.

(2) Violation of this subsection by a person who has not entered into such an agreement shall result in the assessment by the Secretary of a penalty equal to 140 percent of the support price for quota peanuts multiplied by the quantity of peanuts sold or disposed of in violation of subsection (b)(1)(B) of this section, as determined under [section 108B of the Agricultural Act of 1949] *section 108 of the Agricultural Act of 1949* of this title, for the marketing year for the crop with respect to which such violation occurs.

[SEC. 13. PROHIBITION ON DUTY DRAWBACK CLAIMS BY EXPORTERS WHO USE CERTAIN EXPORT PROMOTION PROGRAMS.—

[(a) IN GENERAL.—The Secretary of Agriculture may provide that a person shall be ineligible for participation in an export program established under title I or title III of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), or in any other export credit, credit guarantee, bonus, or other export program carried out through, or administered by, the Commodity Credit Corporation or carried out with funds made available pursuant to section 612c, with respect to the export of any agricultural commodity or product that has been or will be used as the basis for a claim of a refund, as drawback, pursuant to section 1313(j)(2) of Title 19, of any duty, tax, or fee imposed under Federal law on an imported commodity or product.

[(b) VEGETABLE OIL.—A person shall be ineligible for participation in any of the export programs referred to in subsection (a) of this section with respect to the export of vegetable oil or a vegetable oil product that has been or will be used as the basis for a claim of a refund, as a drawback, pursuant to section 1313 of this title, of any duty, tax, or fee imposed under Federal law on an imported commodity or product.

[(c) CERTIFICATION.—A person applying to export any agricultural commodity or product under the export programs referred to in subsection (a) of this section shall certify, in accordance with regulations issued under subsection (d) of this section, that none of the commodity or product has been or will be used as the basis of a claim for any refund specified in subsection (a) of this section, except that a person applying to export any vegetable oil or vegetable oil product under such programs shall certify that none of the vegetable oil or vegetable oil product has been or will be used as the basis of a claim for any refund specified in subsection (b) of this section.

[(d) REGULATIONS.—The Secretary of Agriculture shall issue regulations to carry out this section.

[(e) APPLICABILITY.—This section shall not apply to quantities of agricultural commodities and products with respect to which an exporter has entered into a contract, prior to the effective date of this section, for an export sale.]

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AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

Public Law 480—83d Congress

AN ACT To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

[POLICY OF CONGRESS

[SEC. 2. The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; to use foreign currencies accruing under this Act to foster and encourage the development of private enterprise in developing countries, to enhance food security in developing countries through local food production; and to promote in other ways the foreign policy of the United States. In furnishing food aid under this Act, the President shall—

[(1) give priority consideration, in helping to meet urgent food needs abroad, to making available the maximum feasible volume of food comkmodities (with appropriate regard to domestic price and supply situations) required by those countries most seriously affected by food shortages and by inability to meet immediately food requirements on a normal commercial basis;

[(2) continue to urge all traditional and potential new donors of food, fertilizer, or the means of financing these commodities to increase their participation in efforts to address the emergency and longer term food needs of the developing world;

[(3) relate United States assistance to efforts by aid-receiving countries to increase their own agricultural production, with emphasis on development of small, family farm agriculture, and improve their facilities for transportation, storage, and distribution of food commodities;

[(4) give special consideration to the potential for expanding markets for America's agricultural abundance abroad in the allocation of commodities or concessional financing; and

[(5) give appropriate recognition to and support of a strong and viable American farm economy in providing for the food security of consumers in the United States and throughout the world.

[CONTRIBUTIONS TO WORLD FOOD CONFERENCE GOAL

[SEC. 3. Pursuant to the World Food Conference recommendation that donor countries provide a total of at least ten million tons of food assistance to needy nations annually, the President is urged to maintain a significant United States contribution to this goal and to encourage other countries to maintain and increase their contributions as well.

[TITLE I

[SALE OF AGRICULTURAL COMMODITIES FOR DOLLARS ON CREDIT OR FOR FOREIGN CURRENCIES

[SEC. 101. (a) In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities—

[(1) for dollars on credit terms;

[(2) to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms that permit conversion to dollars at the exchange rate applicable to the sales agreement; or

[(3) for foreign currencies for use under section 108 on terms that permit conversion to dollars.

[(b)(1) Except as provided in paragraph (2), for each of the fiscal years 1986 through 1990, sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made at an annual level of not less than 10 percent of the aggregate value of all sales of agricultural commodities under this title. For each of the fiscal years 1988 through 1990, each agreement entered into under this title shall provide for some sale for foreign currencies for use under section 108 (except for agreements with a country the President determines is incapable of participating in section 108), unless the President determines that the level of agricultural commodities furnished under title I will be significantly reduced as a result of this sentence.

[(2) The President may reduce the minimum level of sales for foreign currencies, or enter into sales agreements not providing for sales for foreign currencies for use under section 108, required under paragraph (1) during any fiscal year in which the President determines that the level of agricultural commodities furnished under this title will be significantly reduced as a result of compliance with the requirement under paragraph (1).

[(c) Agreements for sale for foreign currency in a developing country for use under section 108 may not be entered into to the extent that such agreements would generate currency in amounts that cannot be productively used and absorbed in the private sector of such country.

[(d) Sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made on such terms and conditions as are specified in such agreements.

[USE OF COMMODITY CREDIT CORPORATION STOCKS OR FUNDS

[SEC. 102. For the purpose of carrying out agreements concluded under this Act the Commodity Credit Corporation is authorized to finance the sale and exportation of agricultural commodities whether from private stocks or from stocks of the Commodity Credit Croporation and, when requested by the purchaser of such commodities, may serve as the purchasing or shipping agent, or both, in arranging the purchasing or shipping of such commodites.

[CONDITIONS FOR TITLE I AGREEMENTS

[SEC. 103. In exercising the authorities conferred upon him by this title, the President shall—

[(a) take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to increase their own agricultural production, especially through small, family farm agriculture, to improve their facilities for transportation, storage, and distribution of food commodities, and to reduce their rate of population growth;

[(b) except where the President determines that it would be inconsistent with the objectives of this Act, determines the amount of foreign currencies needed for the uses specified in subsections (a), (b), (e), and (h) of section 104, in section 108, and in title III, and the agreements for credit sales shall provide for payment of such amounts in dollars or in foreign currencies upon delivery of the agricultural commodities; and such payment may be considered as an advance payment of the earliest installments;

[(c) take reasonable precautions to safeguard usual marketings of the United States and to assure that sale under this title will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

[(d) make sale agreements only with those countries which he determines to be friendly to the United States: *Provided,* That the President shall periodically review the status of those countries which are eligible under this subsection and report the result of such review to the Congress. As used in this Act,

"friendly country" shall not include any country or area dominated or controlled by a foreign government or organization controlling a world Communist movement. Notwithstanding any other Act, the President may enter into agreements for the sale of agricultural commodities under title I of this Act with countries which fall within the definition of "friendly country" for the purpose of such sales and no sales under this Act shall be made with any country if the President finds such country is (a) an aggressor, in a military sense, against any country having diplomatic relations with the United States, or (b), using funds, of any sort, from the United States for purposes inimical to the foreign policies of the United States;

[(e) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and with respect to sales from stocks owned by the Commodity Credit Corporation and that small business has adequate and fair opportunity to participate in sales made under the authority of this Act;

[(f) give consideration to the development and expansion of markets for United States agricultural commodities and local foodstuffs by increasing the effective demand for agricultural commodities through the support of measures to stimulate equitable economic growth in recipient countries, with appropriate emphasis on developing more adequate storage, handling, and food distribution facilities;

[(g) obtain commitments from purchasing countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of agricultural commodities purchased under this title, without specific approval of the President;

[(h) obtain rates of exchange applicable to the sale of commodities under such agreements which are not less favorable than highest of exchange rates legally obtainable in the respective countries and which are not less favorable than the highest of exchange rates obtainable by any other nation;

[(i) promote progress toward assurance of an adequate food supply by encouraging countries in which agreements are made to give higher emphasis to the production of food crops than to the production of such nonfood crops as are in world surplus;

[(j) exercise the authority contained in title I of this Act to assist friendly countries to be independent of domination or control by any world Communist movement. Nothing in this Act shall be construed as authorizing the sales agreements under title I with any government or organization controlling a world Communist movement or with any country with which the United States does not have diplomatic relations;

[(k) whenever practicable require upon delivery that not less than 5 per centum of the purchase price of any agricultural commodities sold under title I of this Act be payable in dollars or in the types or kinds of currencies which can be converted into dollars;

[(l) obtain commitments from purchasing countries to publicize widely to their people, by public media and other means,

that the commodities are being provided on a concessional basis through the friendship of the American people as food for peace;

[(m) except as provided in section 108, require foreign currencies to be convertible to dollars to the extent consistent with the effectuation of the purposes of this Act, but in any event to the extent necessary to (1) permit that portion of such currencies made available for payment of United States obligations to be used to meet obligations or charges payable by the United States or any of its agencies to the government of the importing country or any of its agencies, and (2) in the case of excess currency countries, assess convertibility by sale to American tourists, or otherwise, such additional amount (up to twenty-five per centum of the foreign currencies received pursuant to each agreement entered into after the effective date of the Food for Peace Act of 1966) as may be necessary to cover all normal expenditures of American tourists in the importing country. In carrying out this subsection, the President shall require that foreign currencies to be used under section 108 that are acquired under an agreement for the sale of commodities be convertible to dollars during the period beginning 10 years after the date of the last delivery of such commodities and ending 30 years after the date of such delivery. Such agreement for sale shall establish a schedule for such conversion but need not specify the exchange rate for such conversion;

[(n) take maximum precautions to assure that sales under this Act shall not displace any sales of United States agricultural commodities which would otherwise be made;

[(o) take steps to assure that the United States obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country and that commercial supplies are available to meet demands developed through programs carried out under this Act;

[(p) except as provided in section 108, assures convertibility at such uniformly applied exchange rates as shall be agreed upon of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States or purchasing country contractors for payment of wages earned in the development and consummation of works of public improvement in the purchasing country;

[(q) except as provided in section 108, assure convertibility of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States importers for the procurement of materials or commodities in the purchasing country; and

[(r) give favorable consideration in the allocation of commodities under this title to countries promoting the private sector through the use of section 108.

[USE OF FOREIGN CURRENCIES

[SEC. 104. Notwithstanding any other provision of law, the President may use or enter into agreements with foreign countries or international organizations to use the foreign currencies, including

principal and interest from loan repayments, which accrue in connection with sales for foreign currencies under agreements for such sales entered into prior to January 1, 1972, for one or more of the following purposes:

[(a) For payment of United States obligations (including obligations entered into pursuant to other legislation);

[(b) For carrying out programs of United States Government agencies to—

[(1) help develop new markets for United States agricultural commodities (including wood and processed wood products of the United States) on a mutually benefiting basis. From sale proceeds and loan repayments under this title not less than the equivalent of 5 per centum of the total sales made each year under this title shall be set aside in the amounts and kinds of foreign currencies specified by the Secretary of Agriculture and made available in advance for use as provided by this paragraph over such period of years as the Secretary of Agriculture determines will most effectively carry out the purpose of this paragraph: *Provided,* That the Secretary of Agriculture may release such amounts of the foreign currencies so set aside as he determines cannot be effectively used for agricultural market development purposes under this section, except that no release shall be made until the expiration of thirty days following the date on which notice of such proposed release is transmitted by the President to the State Committee on Agriculture and Foresty and the Senate Committee on Foreign Relations, and to the House Committee on Agriculture and the House Committee on International Relations, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session. Provision shall be made in sale and loan agreements for the convertibility of such amount of the proceeds thereof (not less than 2 per centum) as the Secretary of Agriculture determines to be needed to carry out the purpose of this paragraph in those countries which are or offer reasonable potential of becoming dollar markets for United States agricultural commodities. Such sums shall be converted into the types and kinds of foreign currencies as the Secretary deems necessary to carry out the provisions of this paragraph and such sums shall be deposited to a special Treasury account and shall not be made available or expended except for carrying out the provisions of this paragraph. Notwithstanding any other provision of law, if sufficient foreign currencies for carrying out the purpose of this paragraph in such countries are not otherwise available, the Secretary of Agriculture is authorized and directed to enter into agreements with such countries for the sale of agricultural commodities in such amounts as the Secretary of Agriculture determines to be adequate and for the use of the proceeds to carry out the purpose of this paragraph. In carrying out agricultural market development activities, nonprofit agricultural trade organizations shall be utilized to the maxi-

mum extent practicable. The purpose of this paragraph shall include such representation of agricultural industries as may be required during the course of discussions on trade programs relating either to individual commodities or groups of commodities;

[(2) finance with not less than 2 per centum of the total sales proceeds received each year in each country activities to assist international educational and cultural exchange and to provide for the strengthening of the resources of American schools, colleges, universities, and other public and nonprofit private educational agencies for international studies and research under the programs authorized by title VI of the National Defense Education Act, the Mutual Educational and Cultural Exchange Act of 1961, the International Education Act of 1966, the Higher Education Act of 1965, the Elementary and Secondary Education Act of 1965, the National Foundation on the arts and the Humanities Act of 1965, and the Public Broadcasting Act of 1967;

[(3) collect, collate, translate, abstract, and disseminate scientifc and technological information and conduct research and support scientific activities overseas including programs and projects of scientific cooperation between the United States and other countries such as coordinated research against diseases common to all of mankind or unique to individual regions of the globe, and promote and support programs of medical and scientific research cultural and educational development, family planning, health, nutrition, and sanitation;

[(4) acquire by purchase, lease, rental, or otherwise, sites and buildings and grounds abroad, for United States Government use including offices, residence quarters, community and other facilities, and construct, repair, alter, and furnish such buildings and facilities;

[(5) finance under the direction of the Librarian of Congress, in consultation with the National Science Foundation and other interested agencies, (A) programs outside the United States for the analysis and evaluation of foreign books, periodicals, and other materials to determine whether they would provide information of technical or scientific significance in the United States and whether such books, periodicals, and other materials are of cultural or educational significance, (B) the registry, indexing, binding, reproduction, cataloging, abstracting, translating, and dissemination of books, periodicals, and related materials determined to have such significance; and (C) the acquisition of such books, periodicals, and other materials and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate;

[(d) For assistance to meet emergency or extraordinary relief requirements other than requirements for food commodities: *Provided,* That not more than a total amount equivalent to $10,000,000 may be made available for this purpose during any fiscal year;

[(e) For use to the maximum extent under the procedures established by such agency as the President shall designate for loans to United States business firms (including cooperatives) and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries, including loans for private home construction, and for loans to domestic or foreign firms (including cooperatives) for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products: *Provided, however,* That no such loans shall be made for the manufacture of any products intended to be exported to the United States in competition with products produced in the United States and due consideration shall be given to the continued expansion of markets for United States agricultural commodities or the products thereof. Foreign currencies may be accepted in repayment of such loans;

[(f) To promote multilateral trade and agricultural and other economic development, under procedures, established by the President, by loans or by use in any other manner which the President may determine to be in the national interest of the United States; particularly to assist programs of recipient countries designed to promote, increase, or improve food production, processing, distribution, or marketing in food-deficit countries friendly to the United States, for which purpose the President may utilize to the extent practicable the services of nonprofit voluntary agencies registered with and approved by the Agency for International Development: *Provided,* That no such funds may be utilized to promote religious activities;

[(g) For the purchase of goods or services for other friendly countries;

[(h) For financing, at the request of such country, programs emphasizing maternal welfare, child health and nutrition, and activities, where participation is voluntary, related to the problems of population growth, under procedures established by the President through any agency of the United States, or through any local agency which he determines is qualified to administer such activities. Not less than 5 per centum of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth;

[(i) For paying, to the maximum extent practicable, the costs outside the United States of carrying out the program authorized in section 406 of this Act;

[(j) For sale for dollars to United States citizens and nonprofit organizations for travel or other purposes of currencies determined to be in excess of the needs of departments and agencies of the United States for such currencies. The United States dollars received from the sale of such foreign currencies shall be deposited to the account of Commodity Credit Corporation; and

[(k) For paying, to the maximum extent practicable, the costs of carrying out programs for the control of rodents, insects, weeds, and other animal or plant pests: *Provided,* That—

[(1) Section 1415 of the Supplemental Appropriation Act, 1953, shall apply to currencies used for the purposes specified in subsections (a) and (b), and in the case of currencies to be used for the purposes specified in paragraph (2) of subsection (b) the Appropriation Act may specifically authorize the use of such currencies and shall not require the appropriation of dollars for the purchase of such currencies,

[(2) Section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for grants under subsections (f) and (g), to not less than 10 per centum of the foreign currencies which accrue pursuant to agreements entered into on or before December 31, 1964, and to not less than 20 per centum in the aggregate of the foreign currencies which accrue pursuant to agreements entered into thereafter: *Provided, however,* That the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purposes of this title,

[(3) No agreement or proposal to grant any foreign currencies or to use (except pursuant to appropriation Act) any principal or interest from loan repayments under this section shall be entered into or carried out until the expiration of thirty days following the date on which such agreement or proposal is transmitted by the President to the Senate Committee on Agriculture and Forestry and the Senate Committee on Foreign Relations, and to the House Committee on Agriculture and the House Committee on International Relations, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session,

[(4) Any loan made under the authority of this section shall bear interest at such rate as the President may determine but not less than the cost of funds to the United States Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the United States having maturity comparable to the maturity of such loans, unless the President shall in specific instances after consultation with the advisory committee established under section 407 designate a different rate: *Provided further,* That paragraphs (2), (3), and (4) of the foregoing proviso shall not apply in the case of any nation where the foreign currencies or credits owned by the United States and available for use by it in such nation are determined by the Secretary of the Treasury to be in excess of the normal requirements of the departments and agencies of the United States for expenditures in such nations for the two fiscal years following the fiscal year in which such determination is made. The amount of any such excess shall be devoted to the extent practicable and without regard to paragraph (1) of the foregoing proviso, to the acquisition of sites, buildings, and grounds under paragraph (4) of such section (b) of this section and to assist such nation in undertaking self-help measures to in-

crease its production of agricultural commodities and its facilities for storage and distribution of such commodities. Assistance under the foregoing provision shall be limited to self-help measures additional to those which would be undertaken without such assistance. Upon the determination by the Secretary of the Treasury that such an excess exists with respect to any nation, the President shall advise the Senate Committee on Agriculture and Forestry and the Senate Committee on Foreign Relations, and the House Committee on Agriculture and the House Committee on International Relations, of such determination; and shall thereafter report to each such Committee as often as may be necessary to keep such Committee advised as to the extent of such excess, the purposes for which it is used or proposed to be used, and the effects of such use.

[SPECIAL ACCOUNT

[SEC. 105. Foreign currencies received pursuant to this Act shall be deposited in a special account to the credit of the United States and shall be used only pursuant to sections 104 and 108, and any department for agency of the Government using any of such currencies for the purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used. The President shall utilize foreign currencies received pursuant to this Act in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States.

[DOLLAR CREDIT SALES

[SEC. 106. (a)(1) Payment by any friendly country for commodities purchased for dollars on credit shall be upon terms as favorable to the United States as the economy of such country will permit. Payment for such commodities shall be in dollars with interest at such rates as the Secretary may determine but not less than the minimum rate required by section 122(b) of the Foreign Assistance Act of 1961 for loans made under that section. Payment may be made in reasonable annual amounts over periods of not to exceed twenty years from the date of the last delivery of commodities in each calendar year under the agreement except that the date for beginning such annual payment may be deferred for a period not later than two years after such date of last delivery, and interest shall be computed from the date of such last delivery. Delivery of such commodities shall be made in annual installments for not more than ten years following the date of the sales agreement and subject to the availability of the commodities at the time delivery is to be made.

[(2) Payment by any friendly country for commodities purchased for foreign currencies on credit terms and on terms which permit conversion to dollars shall be upon terms no less favorable to the United States than those for development loans made under section 122 of the Foreign Assistance Act of 1961.

[(3) Payment for sales made for foreign currencies that are to be used under section 108 under an agreement entered into under this

title shall be made on such terms as are specified in such agreement.

[(b)(1) Agreements hereunder for the sale of agricultural commodities for dollars on credit terms shall include provisions to assure that the proceeds from the sale of the commodities in the recipient country are used for such economic development purposes as are agreed upon in the sales agreement or any amendment thereto. In negotiating such agreements with recipient countries, the United States shall emphasize the use of such proceeds for purposs which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.

[(2) Greatest emphasis shall be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutrition, and population planning, and to carry out the program described in section 406(a)(1) of this Act, in those countries which are undertaking self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth in accordance with section 109 of this Act, and which programs are directed at and likely to achieve the policy objectives of sections 103 and 104 of the Foreign Assistance Act of 1961 and are consistent with the policy objectives of this Act, pursuant to agreements between the United States and foreign governments under which uses of such proceeds shall be made for such purposes.

[(3) In entering into agreements for the sale of agricultural commodities for dollars on credit terms under this title, priority shall be given to countries which agree to use the proceeds from the sale of the commodities in accordance with the country's agricultural development plan which—

(A) is designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply;

[(B) provides for such objectives as—

[(i) making farm production equipment and facilities available to farmers,

[(ii) credit on reasonable terms and conditions for small farmers, and

[(iii) farm extension and technical information services designed to improve the marketing, storage, transportation and distribution system for agricultural commodities and to develop the physical and institutional infrastructure supporting the small farmer;

[(C) provides for participation by the poor, insofar as possible, in the foregoing at the regional and local levels; and

[(D) is designed to reach the largest practicable number of farmers in the recipient country.

[(4) (A) Notwithstanding any other provision of this subsection, agreements under this title for the sale of agricultural commodities for dollars on credit terms may provide that proceeds from the sale of the commodities in the recipient country shall be used for such private sector development activities as are mutually agreed upon by the United States and the recipient government.

[(B) Proceeds used for private sector development activities pursuant to this paragraph shall be deposited in jointly programmed

accounts to be loaned by the recipient government to one or more financial intermediaries operating within the country for use by those financial intermediaries for loans to private individuals, private and voluntary organizations, corporations, cooperatives, and other entities within such country. In the case of a cooperative or private and voluntary organizations, proceeds may be granted to defray the startup costs of becoming a financial intermediary. Such proceeds shall not be used to promote the production of commodities or the products thereof that will compete, as determined by the President, in world markets with similar commodities or the products thereof produced in the United States.

[AGREEMENTS WITH PRIVATE TRADE

[SEC. 107. (a) It is also the policy of the Congress to stimulate and maximize the sale of United States agricultural commodities for dollars through the private trade and to further the use of private enterprise to the maximum, thereby strengthening the development and expansion of foreign commercial markets for United States agricultural commodities. In furtherance of this policy, the Secretary of Agriculture is authorized, notwithstanding any other provision of law, to enter into agreements with foreign and United States private trade for financing the sale of agricultural commodities for export over such periods of time and on such credit terms as the Secretary determines will accomplish the objectives of this section. Any agreement entered into under this section shall provide for the development and execution of projects which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise stimulate and expand private economic enterprise in any friendly country. Any agreement entered into under this section shall also provide for the furnishing of such security as the Secretary determines necessary to provide reasonable and adequate assurance of payment of the purchase price in dollars with interest at a rate which will as nearly as practicable be equivalent to the average cost of funds to the United States Treasury, as determined by the Secretary of the Treasury, on outstanding marketable obligations of the United States having maturities comparable to maturities of credits extended under this section. In no event shall the rate of interest be less than the minimum rate, or the delivery period, deferral of first payment, or term of credit be longer than the maximum term, authorized in section 106. In carrying out this Act, the authority provided in this section for making dollar sales shall be used to the maximum extent practicable.

[(b) In carrying out the provisions of this section, the Secretary shall take reasonable precautions to safeguard usual marketings of the United States and to avoid displacing any sales of United States agricultural commodities which the Secretary finds and determines would otherwise be made for cash dollars.

[(c) The Secretary shall obtain commitments from purchasers that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of agricultural commodities purchased under this section.

[(d) In carrying out this Act, the provisions of sections 102, 103(a), 103(d), 103(e), 103(f), 103(j), 103(k), 110, 401, 402, 403, 404, 405, 407, 408, and 409 shall be applicable to sales under this section.

[LOANS TO FINANCIAL INTERMEDIARY

[SEC. 108. (a)(1) In order to foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion, and improvement of the production of food and other related goods and services within a developing country and pursuant to an agreement for the sale of agricultural commodities entered into under this title, the President may enter into an agreement with a financial intermediary located or operating in such country under which the President shall lend to such financial intermediary foreign currency that accrues as a result of commodity sales to such country under a sales agreement entered into under this title after the date of enactment of the Food Security Act of 1985. Procurement and other contracting requirements, normally applicable to appropriated funds, shall not apply to such foreign currency.

[(2) Prior to loaning the foreign currencies as provided in this section, the President shall take such steps as may be necessary to assure that the availability of such foreign currencies to financial intermediaries is adequately publicized with the purchasing country.

[(b) To be eligible to obtain foreign currency under this section, a financial intermediary must enter into an agreement with the President under which the intermediary agrees to use such currency to make loans to private individuals, cooperatives, corporations, or other entities within a developing country, at reasonable rates of interest, for the purpose of financing—

[(1) productive, private enterprise investment within such country, including such investment in projects carried out by cooperatives, nonprofit voluntary organizations, and other entities found to be qualified by the President;

[(2) private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and the products thereof; or

[(3) private enterprise support of self-help measures, and projects.

[(c) An agreement entered into under this section shall specify the terms and conditions under which the foreign currency shall be used and subsequently repaid, including the following terms and conditions:

[(1) A financial intermediary shall, to the maximum extent feasible, give preference to the financing of agricultural related private enterprise with the funds provided under this section.

[(2)(A) A financial intermediary shall repay a loan made under this section, plus accrued interest, at such times and in such manner as will permit conversion of such foreign currency to dollars in accordance with the schedule for such conversion.

[(B) A financial intermediary may repay a loan made under this section prior to the repayment date specified in such agreement.

[(3) To be eligible to receive financing from a financial intermediary under this section, an entity or venture must—

[(A) be owned, directly indirectly, by citizens of the developing country or any other country eligible to participate in a sales agreement entered into under this title, except that up to 49 percent of such ownership interest may be held by citizens of the United States; and

[(B) not be owned or controlled, in whole or in part, by the government or any governmental subdivision of the developing country.

[(4)(A) The rate of interest charged on funds loaned to a financial intermediary under this section shall be such rate as is determined by the President and the intermediary.

[(B) In the case of a cooperative or nonprofit, voluntary agency that is acting as a financial intermediary, the President may charge a lower rate of interest on funds loaned to such intermediary under this section than is charged to other types of intermediaries or make a grant from currencies received from sales made under section 101(a)(3) of this Act to defray the startup costs of becoming a financial intermediary.

[(5) No currency made available under this section may be used to promote the production of agricultural commodities or the products thereof that will compete, as determined by the President, in world markets with similar agricultural commodities or the products thereof produced in the United States..

[(6) The President may not require a developing country to guarantee the repayment of a loan made to a financial intermediary under this section as a condition of receipt of such loan.

[(7) A financial intermediary shall take such steps as may be necessary to publicize in the developing country the availability of loan funds under this section.

[(d)(1) All currencies repaid by financial intermediaries under agreements entered into under this section shall be deposited and accounted for in accordance with section 105.

[(2) Currencies repaid by financial intermediaries shall, as determined by the President—

[(A) be used to finance additional productive, private enterprise investment under agreements with financial intermediaries entered into under this section;

[(B) be used for the development of new markets for United States agricultural commodities;

[(C) be used for the payment of United States obligations (including obligations entered into pursuant to other laws of the United States); or

[(D) be converted to dollars.

[(3) Section 1306 of title 31, United States Code, shall apply to currencies used for the purpose specified in paragraph (2)(C).

[(e)(1) Any agreement entered into under this section and section 106(b)(4) shall be subject to periodic audit to determine whether the terms and conditions of the agreement are being fulfilled.

[(2) Not later than 180 days after the end of each fiscal year, the President shall report to the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry and the Committee on Foreign Relations of the Senate on the activities carried out under this section and section 106(b)(4) during the preceding fiscal year, including an evaluation of the impact of investment under this section and section 106(b)(4) on the development of agricultural-related private enterprise in each participating country.

[(f) The President may provide agricultural technical assistance to further the purpose of this section, including the funding of market development activities. To the maximum extent practicable, the President shall use as least 5 percent of the foreign currencies obtained for use under this section from sales of agricultural commodities made under agreements entered into under this title after the date of enactment of the Food Security Act of 1985 to carry out such assistance.

[(g) For each of the fiscal years 1986 through 1990, and in accordance with the provisions of section 106(b)(4) and this section, the President is encouraged to channel foreign currencies, in an amount equivalent to 25 percent of the value of sales agreements under this title, for loans for private enterprise investment provided there are appropriate proposals for such an amount of foreign currencies.

[(h) The provisions of this section apply notwithstanding any other provision of law.

[(i) As used in this section and in section 106(b)(4)—

[(1) the term "developing country" means a country that is eligible to participate in a sales agreement entered into under this title;

[(2) the term "financial intermediary" means a bank financial institution, cooperative, nonprofit voluntary agency, or other organization or entity, as determined by the President, that has the capability of making and servicing a loan in accordance with this section; and

[(3) the terms "private sector development activity" and "private enterprise investment" include the construction of low- and medium-income housing and shelter.

[SELF-HELP MEASURES BY RECIPIENT COUNTRIES

[SEC. 109. (a) Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

[(1) devoting land resources to the production of needed food rather than to the production of nonfood crops especially nonfood crops in world surplus;

[(2) development of the agricultural chemical, farm machinery and equipment, transportation and other necessary industries through private enterprise;

[(3) training and instructing farmers in agricultural methods and techniques, and reducing illiteracy among the rural poor;

[(4) constructing adequate storage facilities;

[(5) improving marketing and distribution systems;

[(6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available technical knowhow;

[(7) establishing and maintaining Government policies to insure adequate incentives to producers;

[(8) establishing and expanding institutions for adaptive agricultural research;

[(9) allocating for those purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales);

[(10) carrying out voluntary programs to control population growth;

[(11) carrying out programs to improve the health of the rural poor, including the immunization of children; and

[(12) promoting the conservation and study of biological diversity.

In taking these self-help measures into consideration the President shall take into particular account the extent to which they are being carried out in ways designed to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture.

[(c) Each agreement entered into under this title shall describe the program which the recipient country is undertaking to improve its production, storage, and distribution of agricultural commodities; and shall provide for termination of such agreement whenever the President finds that such program is not being adequately developed.

[(d)(1) In each agreement entered into under this title and in each amendment to such an agreement, the economic development and self-help measures which the recipient country agrees to undertake shall be described (A) to the maximum extent feasible, in specific and measurable terms, and (B) in a manner which ensures that the needy people in the recipient country will be the major beneficiaries of the self-help measures pursuant to each agreement.

[(2) The President shall, to the maximum extent feasible, take appropriate steps to assure that, in each agreement entered into under this title and in each amendment to such an agreement, the self-help measures agreed to are additional to the measures that the recipient country otherwise would have undertaken irrespective of that agreement or amendment.

[(3) The President shall take all appropriate steps to determine whether the economic development and self-help provisions of each agreement entered into under this title, and of each amendment to such an agreement, are being fully carried out.

[AMOUNT OF AUTHORIZATION

[SEC. 110. Agreements shall not be entered into under this title during any calendar year which will call for an appropriation to reimburse the Commodity Credit Corporation in an amount in excess of $1,900,000,000, plus any amount by which agreements entered into under this title in prior years have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than authorized for such prior years.

[AMOUNT OF ALLOCATION

[SEC. 111. Not more than 25 per centum of the food aid commodities provided under this title in each fiscal year shall be allocated and agreed to be delivered to countries other than those which meet the poverty criterion established for International Development Association financing and which are affected by inability to secure sufficient food for their immediate requirements through their own production or commercial purchase from abroad, unless the President certifies to the Congress that (1) the use of such food assistance is required for humanitarian food purposes, or (2) the quantity of commodities which would be required to be allocated under this section to countries which meet the International Development Association poverty criterion could not be used effectively to carry out the humanitarian or development purposes of this title. A reduction below 75 per centum in the proportion of food aid allocated and agreed to be delivered to countries which meet the International Development Association poverty criterion and which are affected by inability to secure sufficient food for their immediate requirements through their own production or commercial purchase from abroad which results from significantly changed circumstances occurring after the initial allocation shall not constitute a violation of the requirements of this section. Any reallocation of food aid shall be in accordance with this section so far as practicable. The President shall report promptly any such reduction, and the reasons therefor, to the Congress.

[HUMAN RIGHTS

[SEC. 112. (a) No agreement may be entered into under this title to finance the sale of agricultural commodities to the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges, causing the disappearance of persons by the abduction and clandestine detention of those persons, or other flagrant denial of the right to life, liberty, and the security of person, unless such agreement will directly benefit the needy people in such country. An agreement will not directly benefit the needy people in the country for purposes of the preceding sentence unless either the commodities themselves or the proceeds from their sale will be used for specific projects or programs which the President determines would directly benefit the needy people of that country. The agreement shall specify how the projects or programs will be used to benefit the needy people and shall require a

report to the President on such use within 6 months after the commodities are delivered to the recipient country.

[(b) To assist in determining whether the requirements of subsection (a) are being met, the Committee on Agriculture, Nutrition, and Forestry of the Senate or the Committee on International Relations of the House of Representatives may require the President to submit in writing information demonstrating that an agreement will directly benefit the needy people in a country.

[(c) In determining whether or not a government falls within the provisions of subsection (a), consideration shall be given to the extent of cooperation of such government in permitting an unimpeded investigation of alleged violations of internationally recognized human rights by appropriate international organizations, including the International Committee of the Red Cross, or groups or persons acting under the authority of the United Nations or of the Organization of American States.

[(d) The President shall transmit to the Speaker of the House of Representatives, the President of the Senate, and the Committee on Agriculture, Nutrition, and Forestry of the Senate, in the annual presentation materials on planned programming of assistance under this Act, a full and complete report regarding the steps he has taken to carry out the provisions of this section.

[FINANCING THE SALE OF FOOD AND FIBER COMMODITIES

[SEC. 113. In the allocation of funds made available under this title, priority shall be given to financing the sale of food and fiber commodities.

[ASSISTING DEVELOPING COUNTRIES

[SEC. 114. (a) The Congress declares it to be the policy of the United States to assist developing countries in the transition from food assistance recipients to economic self-sufficiency and to assist those nations which have been recipients of high protein, blended, or fortified foods under title II of this Act to continue to combat hunger and malnutrition among the lower income segments of their population, especially children, through the continued provision of these foods under this title.

[(b) In implementing the policy declared in subsection (a), the President, in entering into agreements for the sale of high protein, blended, or fortified foods under this title with countries which (1) give assurance that the benefits of any waiver under this section will be passed on to the individual recipients of such foods, and (2) have a reasonable potential for transition to commercial purchasers of such foods, may make provisions for a waiver of repayment of up to that part of the product value which is attributable to the costs of processing, enrichment, or fortification.

[(c) In implementing this section, due care shall be taken to minimize its impact on other commercial and concessional sales of whole grains and, where feasible, agreements under this title utilizing the authority contained in this section will provide for sales of such commodities.

[INVITATIONS FOR BIDS, COMMISSIONS

[SEC. 115. (a) No purchases of food commodities from private stock shall be financed under this title unless they are made on the basis of an invitation for bid publicly advertised in the United States and on the basis of bid offerings which shall conform to such invitation and shall be received and publicly opened in the United States. All awards in the purchase of commodities financed under this title shall be consistent with open, competitive, and responsive bid procedures, as determined by the Secretary of Agriculture. Commissions, fees, or other payments to any selling agent shall—unless waived by the Secretary—be prohibited in any purchase of food commodities financed under this title.

[(b) Notwithstanding any other provision of law, any commission, fee, or other compensation of any kind paid or to be paid by any supplier of a commodity or ocean transportation financed by the Commodity Credit Corporation under this title, to any agents, brokers, or other representatives of the importer or importing country, including a corporation owned or controlled by the importer or the government of the importing country, shall be reported to the Secretary of Agriculture by the supplier of the commodity or ocean transportation. The report shall identify the person or entity to whom the payment is made and the transaction in connection with which the payment is made. The Secretary shall maintain such information for public inspection, publish a report thereof annually, and forward a copy of the report to the Committee on Agriculture and the Committee on International Relations of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. Any supplier of a commodity or ocean transportation who fails to file such a report or who files a false report shall be ineligible to furnish—directly or indirectly—commodities or ocean transportation financed under this title for a period of five years.

[TITLE II

[FAMINE RELIEF AND OTHER ASSISTANCE

[SEC. 201. (a) The President is authorized to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as he may request.

[(b) The minimum quantity of agricultural commodities distributed under this title for each of the fiscal years ending September 30, 1987, September 30, 1988, September 30, 1989, and September 30, 1990, shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program; unless the President determines and reports

to the Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title.

[(c)(1) Except as provided in paragraph (2), in distributing agricultural commodities under this title, the President shall—

[(A) consider—

[(i) the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable products;

[(ii) the nutritional needs of the proposed recipients of the commodities;

[(iii) the cost effectiveness of providing such commodities, for purposes of selecting commodities for distribution under nonemergency programs; and

[(iv) the purposes of this title; and

[(B) ensure that at least 75 percent of the quantity of agricultural commodities required to be distributed each fiscal year under subsection (b) for nonemergency programs be in the form of processed or fortified products or bagged commodities.

[(2) The President may waive the requirement under paragraph (1)(B) or make available a smaller percentage of fortified or processed food than required under paragraph (1)(B) during any fiscal year in which the President determines that the requirements of the programs established under this title will not be best served by the distribution of fortified or processed food in the amounts required under paragraph (1)(B).

[MANNER OF CARRYING OUT PROGRAM

[SEC. 202. (a) The President may furnish commodities for the purposes set forth in section 201 through such friendly governments and such agencies, private or public, including intergovernmental organizations such as the World Food Program and other multilateral organizations in such manner and upon such terms and conditions as he deems appropriate. Such commodities may be furnished for direct distribution, sale, barter, or other approrpriate disposition in carrying out the purposes set forth in section 201. The President shall, to the extent practicable, utilize nonprofit voluntary agencies or cooperative registered with, and approved by, the Agency for International Development. If no United States nonprofit voluntary agency registered with and approved by the Agency for International Development is available, the President may utilize a foreign nonprofit voluntary agency which is registered with and approved by the Agency for International Development. Insofar as practicable, all commodities furnished hereunder shall be clearly identified by appropriate marking on each package or container in the language of the locality where they are distributed as being furnished by the people of the United States of America. Except in the case of emergency, the President shall take reasonable precaution to assure that commodities furnished hereunder will not displace or interfere with sales which might otherwise be made.

[(b)(1) Assistance to needy persons under this title shall be directed, insofar as practicable, toward community and other self-help activities designed to alleviate the causes of need for such assistance.

[(2) In order to assure that food commodities made available under this title are used effectively and in the areas of greatest need, entities through which such commodities are distributed shall be encouraged to work with indigenous institutions and employ indigenous workers, to the extent feasible, to assess nutritional and other needs of beneficiary groups, help these groups design and carry out mutually acceptable projects, recommend ways of making food assistance available that are most appropriate for each local setting, supervise food distribution, and regularly evaluate the effectiveness of each project.

[(3) In distributing food commodities under this title, priority shall be given, to the extent feasible, to those who are suffering from malnutrition by using means such as (A) giving priority within food programs for preschool children to malnourished children, and (B) giving priority to the poorest regions of countries.

[(4) In the case of commodities distributed under this title by nonprofit voluntary agencies, consideration shall be given to nutritional and development objectives as established by those agencies in light of their assessment of the needs of the people assisted.

[(c)(1) In agreements with nonprofit voluntary agencies and cooperatives for nonemergency assistance under this title, the President is encouraged, if requested by the nonprofit voluntary agency or cooperative, to approve multiyear agreements to make agricultural commodities available for distribution by that agency or cooperative. Such agreement shall be subject to the availability each fiscal year of the necessary appropriations and agricultural commodities.

[(2) Paragraph (1) does not apply to an agreement which the President determines should be limited to a single year because of the past performance of the nonprofit voluntary agency or cooperative or because the agreement involves a new program of assistance.

[(3) In carrying out a multiyear agreement pursuant to this subsection, a nonprofit voluntary agency or cooperative shall not be required to obtain annual approval from the United States Government in order to continue its assistance program pursuant to the agreement, unless exceptional and unforeseen circumstances have occurred which the President determines require such approval.

[COSTS TO BE PAID BY COMMODITY CREDIT CORPORATION

[SEC. 203. The Commodity Credit Corporation may, in addition to the cost of acquisition, pay with respect to commodities made available under this title costs for packaging, enrichment, preservation, and fortification; processing, transportation, handling, and other incidental costs up to the time of their delivery free on board vessels in United States ports; ocean freight charges from United States ports to designated ports of entry abroad; transportation from United States ports to designated points of entry abroad in the case (1) of landlocked countries, (2) where ports cannot be used

effectively because of natural or other disturbances, (3) where carriers to a specific country are unavailable, or (4) where a substantial savings in costs or time can be affected by the utilization of points of entry other than ports; in the case of commodities for urgent and extraordinary relief requirements, including prepositioned commodities, transportation costs from designated points of entry or ports of entry abroad to storage and distribution sites and associated storage and distribution costs; and charges for general average contributions arising out of the ocean transport of commodities transferred pursuant thereto.

[AMOUNT OF AUTHORIZATION

[SEC. 204. Programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation of more than $1,000,000,000 to reimburse the Commodity Credit Corporation for all costs incurred, in connection with such programs (including the Corporation's investment in commodities made available) plus any amount by which programs of assistance undertaken under this title in the preceding fiscal year have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than were authorized for such purpose during such preceding year. The President may waive the limitation in the preceding sentence if the President determines that such waiver is necessary to undertake programs of assistance to meet urgent humanitarian needs. In addition to other funds available for such purposes under any other Act, funds made available under this title may be used in an amount not exceeding $7,500,000 annually to purchase foreign currencies accruing under title I of this Act in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies, and the costs of construction or maintenance of any church owned or operated edifice or any other edifices to be used for sectarian purposes) designed to assure that commodities made available under this title are used to carry out effectively the purposes for which such commodities are made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: *Provided, however,* That such funds shall be used only to supplement and not substitute for funds normally available for such purposes from other non-United States Government sources.

[INTERNATIONAL FOOD AND AGRICULTURAL ASSISTANCE

[SEC. 205. It is the sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combating world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. It is further the sense of the Congress that as a means of achieving this objective, the United States should work for the expansion of the United Nations World Food Program beyond its present established goals.

[FOREIGN CURRENCY PROCEEDS

[SEC. 206. (a) Except to meet famine or other urgent or extraordinary relief requirements, or for nonemergency programs conducted by nonprofit or cooperatives, no assistance under this title shall be provided under an agreement permitting generation of foreign currency proceeds unless (1) the country receiving the assistance is undertaking self-help measure in accordance withe section 109 of this Act, (2) the specific uses to which the foreign currencies are to be put are set forth in a written agreeement between the United States and the recipient country, and (3) such agreements provides that the currencies will be used for (A) alleviating the causes of the need for the assistance in accordance with the purposes and policies specified in section 103 of the Foreign Assistance Act of 1961, or (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries, or (C) health programs and projects, including immunization of children. The President shall include information on currencies used in accordance with this section in the reports required under section 408 of this Act and section 657 of the Foreign Assistance Act of 1961.

[(b) Not later than February 15, 1988, and annually thereafter, the President shall report to Congress on sales and barter, and use of foreign currency proceeds, under this section and section 207 during the preceding fiscal year. Such report shall include information on—

[(1) the quality of commodities furnished for such sale or barter;

[(2) the amount of funds (including dollar equivalents for foreign currenices) and value of services generated from such sales and barter in the preceding fiscal year;

[(3) how such funds and services were used;

[(4) the amount of foreign currency proceeds that were used under agreements under this section and section 207 in the preceding fiscal year, and the precentage of the quantity of all commodities and products furnished under this section and section 207 in such fiscal year such use represented;

[(5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under this section and section 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the pecentage that such estimated use represents of the quantity of all commodities and products that the President estimates will be furnished under this section and section 207 in each such fiscal year;

[(6) the effetiveness of such sales, barter, and use during the preceding fiscal year in facilitating the distribution of commodities and products under this section and section 207;

[(7) the extent to which such sales, barter, or uses—

[(A) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made;

[(B) affect usual marketings of the United States;

[(C) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries; or

[(D) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this title; and

[(8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under this section and section 207.

[FOOD ASSISTANCE PROGRAMS OF VOLUNTARY AGENCIES.

[SEC. 207. (a) A nonprofit voluntary agency or cooperative requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement.

[(b) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than 10 percent of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year.

[(c) Foreign currencies generated from any partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative shall be used—

[(1) to transport, store, distribute, and otherwise enhance the effectiveness of the use of commodities and the products thereof donated under this title; and

[(2) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other development activities.

[SEC. 208 PERIODS FOR REVIEW AND COMMENT.

[(a) RESPONSE.—If a proposal to make agricultural commodities available under this title is submitted by a nonprofit voluntary agency or cooperative with the concurrence of the appropriate United States Government field mission or if a proposal to make agricultural commodities available to a non-profit voluntary agency or cooperative is submitted by the United States Government field mission, decision on the proposal shall be provided within 45 days after receipt by the Agency for International Development office in Washington, DC. The response shall detail the reasons for approval or denial of the proposal. If the proposal is denied, the response shall specify the conditions that would need to be met for the proposal to be approved.

[(b) NOTICE AND COMMENT.—Not later than 30 days before the issuance of a final guideline to carry out this title, the President shall—

[(1) provide notice of the proposed guidelines to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guidelines is available for review and comment;

[(2) make the proposed guidelines available, on request, to the agencies, cooperatives, and others; and

[(3) take any comments received into consideration before the issuance of the final guideline.

[(c) DEADLINE FOR SUBMISSION OF COMMODITY ORDERS.—Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the requirements of this title, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

[TITLE III

[FOOD FOR DEVELOPMENT

[SEC. 301. (a) In order to establish a strong relationship between United States food assistance and efforts by developing countries to increase the availability of food for the poor in such countries and improve in other ways the quality of their lives, the President is authorized to encourage the use of the resources provided by the concessional financing of agricultural commodities under this Act for agricultural and rural development, including voluntary family planning, health, and nutrition programs, by permitting the funds accruing from the local sale of such commodities, or the dollar sales value of the commodities themselves, which are used for such purposes to be applied against the repayment obligation of governments receiving concessional financing under this Act. The agreement between the United States Government and an eligible developing country government which provides for repayment of the obligation to the United States accruing from the concessional sale of United States agricultural commodities by the use in the participating country of funds from the sale of such commodities or of the commodities themselves for specified development purposes shall be called a Food for Development Program.

[(b) The overall goal of assistance under this title shall be to increase the access of the poor in the recipient country to a growing and improving food supply through activities designed to improve the production, protection, and utilization of food, and to increase the well-being of the poor in the rural sector of the recipient country. Assistance under this title shall be used for programs of agricultural development, rural development, nutrition, health services (including the immunization of children), and population planning, and the program described in section 406(a)(1) of this Act, in those countries which are undertaking (or are seriously prepared to undertake in connection with the provision of agricultural commodities under this Act) self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth in accordance with section 109 of this Act, when such programs are directed at and likely to achieve the policy objectives of sections 103 and 104 of the Foreign Assistance Act of 1961 and are consistent with the policy objectives of this Act. Particular emphasis should be placed on activities which effectively assist small farmers, tenants, sharecroppers, and landless agricultural laborers, by expanding their access to the rural economy through services and institutions at the local level, and otherwise providing opportunities for the poor who are dependent upon agriculture and agriculturally related activities to better their lives through their own efforts.

[(c) In the event of a serious natural disaster in a country participating in a Food for Development Program, funds accruing from the sale of commodities made available under this title may be used with the approval of the United States Government, for disaster relief, rehabilitation, and reconstruction assistance in any rural or urban area of that country adversely affected by the disaster. Such assistance may include (but is not limited to) food, medicine and medical supplies, shelter, and in-country transportation.

[DETERMINATION OF ELIGIBILITY

[SEC. 302. (a) Whenever the President, in consultation with the government of a developing country, determines that such developing country meets the criteria specified in subsection (b) of this section and could benefit from the sale of United States agricultural commodities (including processed and blended foods) for the purposes of generating funds or distributing such commodities for agricultural and rural development, and improving food distribution and use within such country, the President may designate such country as eligible for a Food for Development Program.

[(b) In order to be eligible for a Food for Development Program under this section, a country must (1) have a need for external resources to improve its food production, marketing, distribution, and storage systems; (2) meet the criterion used to determine basic eligibility for development loans of the International Development Association of the International Bank for Reconstruction and Development; (3) have the ability to utilize effectively the resources made available by the sale of food commodities under this section for the purposes specified in clause (1) of this subsection; and (4) indicate the willingness to take steps to improve its food production, marketing, distribution, and storage systems.

[(c)(1) Except as provided in paragraph (2) of this subsection, the aggregate value of all agreements entered into under this title—

[(A) for fiscal year 1978, shall be not less than 5 percent,

[(B) for fiscal year 1979, shall be not less than 10 percent, and

[(C) for fiscal year 1980 and each fiscal year thereafter, shall be not less than 10 percent, of the aggregate value of all agreements entered into under title I of this Act for such fiscal year.

[(2) The President may waive the requirement of paragraph (1) of this subsection with respect to a fiscal year if he determines that there are an insufficient number of agricultural and rural development projects which qualify for assistance under this title and that therefore the humanitarian purposes of this Act would be better served by furnishing financing under other provisions of this Act. Any such waiver shall be reported to the Congress, together with a detailed statement of the reasons for the lack of acceptable projects and a detailed description of efforts by the United States Government to assist eligible countries, pursuant to section 303(a), in identifying appropriate projects for assistance under this title.

[(3) Greatest efforts shall be made by relevant United States agencies to encourage maximum utilization of assistance for Food for Development projects under this title, even beyond the minimums required by paragraph (1) of this subsection.

[(4) In developing and carrying out Food for Development Programs under this title, consideration shall be given to using the capability and expertise of American agriculture, and of United States nonprofit voluntary agencies and cooperatives, in partnership with indigenous individuals and organizations, in furthering economic development and increased food production.

[DEVELOPMENT PROPOSAL

[SEC. 303. (a) A country designated as eligible and wishing to participate in a Food for Development Program shall formulate, with the assistance (if requested) of the United States Government, a multiyear proposal which shall be submitted to the President. Such proposal shall include an annual value or amount of agricultural commodities proposed to be financed under the authority of title II of this Act pursuant to the provisions of this title, and a plan for the intended uses of commodities or the funds generated from the sale of such commodities, on an annual basis. Such proposal shall also specify the nature and magnitude of problems to be affected by the effort, and shall present targets in quantified terms, insofar as possible, and a description of the relationships among the various projects, activities, or programs to be supported.

[(b) The multiyear utilization proposal for a Food for Development Program shall include, but not be limited to, a statement of how assistance under such program will be integrated into and complement that country's overall development plans and other forms of bilateral and multilateral development assistance, including assistance made available under section 103 of the Foreign Assistance Act of 1961 or under any other title of this Act.

[(c) In his review of any utilization proposal for a Food for Development Program, the President shall be satisfied that such assistance is intended to complement, but not replace, assistance authorized by the Foreign Assistance Act of 1961, or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a Food for Development Program.

[AUTHORIZATION FOR TITLE I CREDIT

[SEC. 304. (a) Whenever a utilization proposal has been agreed upon by the President and the participating country, the Commodity Credit Corporation is authorized to furnish credit under the authority of title I of this Act to the participating country for the purchase of a specific annual value of agricultural commodities to be delivered over a period of from one to five years, subject to the availability of commodities under section 401 of this Act.

[(b) Notwithstanding any other provision of this Act, no payment except as provided for under this title shall be required of the recipient government as a part of any agreement to finance the sale of agricultural commodities pursuant to a Food for Development Program.

[(c) In making food assistance available under this title to a country on the United Nations Conference on Trade and Development list of relatively least developed countries, the President may waive any requirement contained in section 303 (a) or (b), in that

portion of section 303(c) which requires that assistance under this title is intended to complement but not replace any part of the development program of the participating country, or in section 306, if he finds that such country is unable to meet such requirement but could use assistance under this title to meet important humanitarian or developmental objectives of this Act. Such waivers, and the reasons therefor, shall be reported annually by the President to the Congress.

[(d) The Commodity Credit Corporation may pay, with respect to commodities made available under this title to a country on the United Nations Conference on Trade and Development list of relatively least developed countries, freight charges from United States ports to designated ports of entry abroad or to designated points of entry abroad in the case of land-locked countries.

[SPECIAL ACCOUNT

[SEC. 305. (a) Funds generated from the sale of agricultural commodities by any participating country under this title shall be held in a special account, where practicable, to be disbursed for the purposes described in the approved Food for Development Program of such country. The amount of funds disbursed for such purposes and in accordance with the agreement shall be deemed payments for the purposes of section 103(b) of this Act. Disbursements of funds from the special account in an amount equivalent to the dollar value of the credit furnished by the Commodity Credit Corporation under section 304(a) shall be deemed to be payment of all installments of principal and interest payable thereon for the commodities purchased by the participating country for purposes of this title.

[(b) Such disbursements shall be deemed to be payments with respect to the credit furnished pursuant to the agreement or if, in the case of a country on the United Nations Conference on Trade and Development list of relatively least developed countries, the disbursements in a fiscal year are greater than the amount of the annual repayment obligation which that country would have to meet for that fiscal year under the agreement but for the disbursements in accordance with the Food for Development Program, then the disbursements which are in excess of the amount of that annual repayment obligation may, to the extent provided in the agreement, be considered as payments with respect to the annual repayment obligations of that country for that fiscal year under other financing agreements under this Act.

[(c) When agricultural commodities made available under this title are used by the participating country in development project in accordance with the applicable Food for Development Program, the dollar sales value of such commodities shall be applied, in accordance with subsections (a) and (b) of this section, against repayment obligations of that country under this Act, with the value of the commodities so used being deemed to be disbursements made at the time of such use.

[ANNUAL REPORT

[SEC. 306. Not more than one year after the initial delivery of commodtites to any country under this title and each year thereafter for the period of agreement, the government of the participating country, with the assistance (if requested) of the United States Government, shall submit a comprehensive report to the President on the activities and progress achieved under the Food for Development Program for such country, including, but no limited to, a comparison of results with projected targets, a detailed description of how the commodities were used or a specific accounting for funds generated, their uses, and the outstanding balances at the end of the most recent fiscal year. Such annual report may also include recmmendations for modification and improvement in the Food for Development Program of such country.

[ANNUAL REVIEW

[Sec. 307. (a) Each year the President shall review all agreements providing for the use under this title of the proceeds from the sale of agricultural commodities, or of the commodities themselves, with respect to which there was not full disbursement during the preceding fiscal year. The results of such review shall be included in the annual report to the Congress required under section 408(a) of this Act.

[(b) If the President finds that the provisions of an agreement are not being substantially met, he shall not extend financing for sales under this title until the end of the following fiscal year or until the situation is remedied, whichever occurs first, unless the failure to meet the provisions is due to unusual circumstances beyond the control of the recipient government.

[TITLE IV

[AVAILABILITY OF AGRICULTURAL COMMODITIES

[SEC. 401. (a) After consulting with other agencies of the Government affected and within policies laid down by the President for implementing this Act, and after taking into account productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carryover, the Secretary of Agriculture shall determine the agricultural commodities and quantities thereof available for disposition under this Act, and the commodities and quantities thereof which may be included in the negotiations with each country. No commodity shall be available for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity, unless the Secretary of Agriculture determines that some part of the supply thereof should be used to carry out urgent humanitarian purposes of this Act.

[(b) No agricultural commodity may be financed or otherwise made available under the authority of this Act except upon a determination by the Secretary of Agriculture that (1) adequate storage facilities are available in the recipient country at the time of ex-

portation of the commodity to prevent the spoilage or waste of the commodity, and (2) the distribution of the commodity in the recipient country will not result in a substantial disincentive to or interference with domestic production or marketing in that country.

[DEFINITION OF "AGRICULTURAL COMMODITY"

[SEC. 402. The term "agricultural commodity" as used in this Act shall include any agricultural commodity produced in the United States (including fish, without regard to whether such fish are harvested in aquacultural operations) or product thereof produced in the United States: *Provided, however,* That the term "agricultural commodity" shall not include alcoholic beverages, and for the purposes of title II of this Act, tobacco or products thereof. The foregoing proviso shall not be construed as prohibiting representatives of the domestic wine, beer, distilled spirits, or other alcoholic beverage industry from participating in market development activities carried out with foreign currencies made available under title I of this Act which have as their purpose the expansion of export sales of United States agricultural commodities. In the allocation of funds made available under title I of this Act, priority shall be given to financing the sale of food and fiber commodities.

[APPROPRIATION TO CARRY OUT ACT

[SEC. 403. (a) There are hereby authorized to be appropriated such sums as may be necessary to carry out this Act including such amounts as may be required to make payments to the Commodity Credit Corporation, to the extent the Commodity Credit Corporation is not reimbursed under sections 104(j) and 105, for its actual costs incurred or to be incurred. In presenting his budget, the President shall classify expenditures under this Act as expenditures for international affairs and finance rather than for agriculture and agricultural resources.

[(b) Notwithstanding any other provision of law, in determining the reimbursement due the Commodity Credit Corporation for all costs incurred under this Act, commodities from the Commodity Credit Corporation inventory, which were acquired under a domestic price support program, shall be valued at a price not greater than the export market price therefor, as determined by the Secretary of Agriculture, as of the time the commodity is made available under this Act.

[(c) Notwithstanding any other provision of this Act or any other Act, if the President determines it to be necessary for the purposes of this Act, he may direct that not to exceed 15 percent of the funds available in any fiscal year for carrying out any title of this Act be used to carry out any other title of this Act.

[HUMANITARIAN OBJECTIVES

[SEC. 404. (a) The programs of assistance conducted under this Act, and the types and quantities of agricultural commodities to be made available, shall be directed in the national interest toward the attainment of humanitarian and developmental objectives as well as the development and expansion of United States and recipient country agricultural commodity markets. To the maximum

extent possible, either the commodities themselves shall be used to improve the economic and nutritional status of the poor through effective and sustainable programs, or any proceeds generated from the sales of agricultural commodities shall be used to promote policies and programs that benefit the poor.

[(b) Country assessments shall be carried out whenever necessary in order to determine the types and quantities of agricultural commodities needed, the conditions under which commodities should be provided and distributed, the relationship between United States food assistance and other development resources, the development plans of that country, the most suitable timing for commodity deliveries, the rate at which food assistance levels can be effectively used to meet nutritional and developmental needs, and the country's potential as a new or expanded market for both United States agricultural commodities and recipient country foodstuffs.

[ENCOURAGING SELF-RELIANCE IN FRIENDLY COUNTRIES

[SEC. 405. The authority and funds provided by this Act shall be utilized in a manner that will assist friendly countries that are determined to help themselves toward a greater degree of self-reliance in providing enough food to meet the needs of their people and in resolving their problems relative to population growth.

[FARMER-TO-FARMER PROGRAM; TEACHING; RESEARCH

[SEC. 406. (a) In order to further assist friendly developing countries to become self-sufficient in food production, the President is authorized, notwithstanding any other provision of law—

[(1) To establish and administer a program of farmer-to-farmer assistance between the Unites States and such countries to help farmers in such countries in the practical aspects of increasing food production and distribution and improving the effectiveness of their farming operations;

[(2) To enter into contracts or other cooperative agreements with, or make grants to, land-grant colleges and universities and other institutions of higher learning in the United States to recruit persons who by reason of training, education, or practical experience are knowledgeable in the practical arts and sciences of agriculture and home economics, and to train such persons in the practical techniques of transmitting to farmers in such countries improved practices in agriculture, and to participate in carrying out the program in such countries including, where desirable, additional courses for training or retraining in such countries;

[(3) To consult and cooperate with private nonprofit farm organizations in the exchange of farm youth and farm leaders with developing countries and in the training of farmers of such developing countries within the United States or abroad;

[(4) To conduct research in tropical or subtropical agriculture for the improvement and development of tropical and subtropical food products for dissemination and cultivation in friendly countries;

[(5) To coordinate the program authorized in this section with other foreign assistance activities of the United States;

[(6) To establish by such rules and regulations as he deems necessary the conditions for eligibility and retention in and dismissal from the program established in this section, together with the terms, length and nature of service, compensation, employee status, oaths of office, and security clearances, and such persons shall be entitled to the benefits and subject to the responsibilities applicable to persons serving in the Peace Corps pursuant to the provisions of section 612, volume 75 of the Statutes at Large, as amended; and

[(7) To the maximum extent practicable, to pay the costs of such program through the use of foreign currencies accruing from the sale of agricultural commodities under this Act, as provided in section 104(i).

[(b) There are hereby authorized to be appropriated not to exceed $33,000,000 during any fiscal year for the purpose of carrying out the provisions of this section.

[ADVISORY COMMITTEE

[SEC. 407. There is hereby established an Advisory Committee composed of the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Director of the Office of Management and Budget, the Director of the United States International Development Cooperation Agency, the chairman and the ranking minority member of both the House Committee on Agriculture and the House Committee on Foreign Affairs, and the chairman and the ranking minority member of both the Senate Committee on Agriculture, Nutrition, and Forestry and the Senate Committee on Foreign Relations, or their designees (who shall be members of such committees, or, in the case of members from the executive branch, who shall have been confirmed by the Senate). The Advisory Committee shall survey the general policies relating to the administration of the Act, including the manner of implementing the self-help provisions, the uses to be made of foreign currencies which accrue in connection with sales for foreign currencies under title I, the amount of currencies to be reserved in sales agreements for loans to private industry under section 104(e), rates of exchange, interest rates, and the terms under which dollar credit sales are made, and shall advise the President with respect thereto. The Advisory Committee shall meet not less than four times during each calendar year at the call of the Acting Chairman of such Committee who shall preside in the following order: The chairman of the House Committee on Agriculture, the chairman of the Senate Committee on Foreign Relations, the chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, and the chairman of the House Committee on Foreign Affairs.

[REPORT TO CONGRESS

[SEC. 408. (a) The President shall make a report to Congress not later than February 15 each year with respect to the activities carried out under this Act during the preceding fiscal year. Such report shall describe the progress of each country with which

agreements are in effect under title I in carrying out its agreements under such title.

[(b) Not later than September 30 of each year, the President shall submit to the Congress a report containing a global assessment of food production and needs and setting forth planned programming of food assistance under titles I and II for the coming fiscal year. Not later than December 31, and June 30 of each year, the President shall submit a report to the Congress showing the current status of planned programming of food assistance under titles I and II for the current fiscal year.

[(c) Beginning October 1, 1978, and at each five-year interval thereafter, the President shall submit to the Congress a comparative cross-country evaluation of programs conducted under titles II and III. Such evaluations shall cover no fewer than five countries sampled from the developing regions (Asia, Africa, Latin America, and the Caribbean), and shall assess the nutritional and other impacts, achievements, problems, and future prospects for programs under these titles.

[(d)(1) Not later than six months following the date of enactment of this subsection, and at each two-year intervals thereafter, the Secretary of Agriculture shall issue revised regulations governing all operations under title I of this Act, including operations relating to purchasing countries, suppliers of commodities or ships, and purchasing or shipping agents. The regulations shall include, but not be limited to, prohibitions against conflicts of interest, as determined by the Secretary, between (A) recipient countries (or other purchasing entities) and their agents, (B) suppliers of commodities, (C) suppliers of ships, and (D) other shipping interests.

[(2) The regulations shall be designed to encourage an increase in the number of exporters participating in the program.

[(3) All revised regulations governing operations under title I and title III of this Act shall be transmitted to Congress by the Secretary as soon as practicable after their issuance.

[(e) Bagged commodities for the purpose of financing by the Commodity Credit Corporation under this act may, subject to regulations issued by the Secretaryof Agriculture, be considered "exported" upon delivery at port, and upon presentation of a dock receipt in lieu of an on-board bill of lading.

[EXPIRATION DATE

[SEC. 409. No agreements to finance sales under title I and no programs of assistance under title II shall be entered into after December 31, 1990. New spending authority provided for title I of this Act by the amendments to this section made by the Agriculture and Food Act of 1981 and the Food Security Act of 1985 shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

[APPLICABLILITY OF SEC. 620(E) OF THE FOREIGN ASSISTANCE ACT

[SEC. 410. The provisions of section 620(e) of the Foreign Assistance Act of 1961, as amended (referring to nationalization, expropriation, and related governmental acts affecting property owned

by United States citizens), shall be applicable to assistance provided under title I of this Act.

[SALES AND DONATIONS TO NORTH VIETNAM

[SEC. 411. No agriculutral commodities shall be sold under title I or title III or donated under title II of this Act to North Vietnam, unless by an Act of Congress enacted subsequent to July 1, 1973, assisted to North Vietnam is specifically authorized.

[SYSTEM OF FOOD RESERVE

[SEC. 412. The President is authorized and encouraged to seek international agreement, subject to congressional approval, for a system of food reserves to meet food shortage emergencies and to provide insurance against unexpected shortfalls in food production, with costs of such a system to be equitably shared among nations and with farmers and consumers to be given firm safeguards against market price disruption for such a system.

[MULTIYEAR BASIS

[SEC. 413. In order to best meet the humanitarian and developmental purposes of this Act, commodities provided under this act for developmental purposes shall be made available, to the maximum extent practicable, on a multiyear basis when necessary for the most effective accomplishment of these purposes.]

SECTION 1. SHORT TITLE.

This Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

SEC. 2. POLICY.

It is the policy of the United States to use its abundant agricultural productivity to promote the foreign policy of the United States by enhancing the food security of the developing world through the use of such productivity to—

(1) combat world hunger, malnutrition, and their causes;

(2) promote broad-based and sustainable economic development;

(3) expand international trade;

(4) develop and expand export markets for United States agricultural commodities;

(5) foster and encourage the development of private enterprise and democratic participation in developing countries; and

(6) use foreign currencies accruing under this Act to implement the policy objectives described in this section.

SEC. 3. GLOBAL FOOD AID NEEDS.

Pursuant to the principal findings of the National Research Council of the National Academy of Sciences that doubling food aid above present levels of about 10,000,000 metric tons per year would be necessary to meet projected global food needs throughout the decade of the nineties, it is the sense of Congress that the President should—

(1) increase the contributions of food aid of the United States, and encourage other donor countries to increase the contribu-

tions of such countries toward meeting new food air requirements; and

(2) encourage other advanced nations to make increased food aid contributions to combat world hunger and malnutrition particularly through the expansion of international food and agricultural assistance programs.

SEC. 4. DEFINITIONS.

As used in this Act:

(1) AGRICULTURAL COMMODITY.—Unless otherwise provided in this Act, the term "agricultural commodity" includes any agricultural commodity or the products thereof produced in the United States, including wood and processed wood products, fish, and livestock as well as value-added, fortified, or high-value agricultural products.

(2) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Agency for International Development.

(3) COOPERATIVES.—The term "cooperative" means a private sector organization whose members own and control the organization and share in its services and its profits and that provides business services and outreach in cooperative development for its membership.

(4) INDIGENOUS NON-GOVERNMENTAL ORGANIZATION.—The term "indigenous non-governmental organization" means a foreign organization that is not primarily an agency or instrumentality of a foreign government, working at the local level of solve development problems in the foreign country in which it is located.

(5) PRIVATE VOLUNTARY ORGANIZATION.—The term 'private voluntary organization' means a non-profit organization (a tax-exempt organization if such is a United States organization) that receives some portion of its annual revenue from the private sector and receives voluntary contributions of money.

(6) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

TITLE I—FOOD AND DEVELOPMENT ASSISTANCE

SEC. 101. FOOD AND DEVELOPMENT ASSISTANCE.

The President shall—

(1) carry out through the Agency for International Development a program under which agricultural commodities are donated under section 103 to least developed countries and the revenue generated by the sale of such commodities in the recipient country may be utilized for economic development activities; and

(2) establish and implement through the Secretary a program under section 107 to offer agricultural commodities for sale on credit to developing countries, and to carry out domestic agricultural trade development activities with the local currency proceeds associated with the repayment of such loans.

SEC. 102. ELIGIBLE COUNTRIES.

(a) LEAST DEVELOPED COUNTRIES.—A country shall be considered to be a least developed country and eligible for the donation of agricultural commodities under section 103 if—

(1) such country meets the poverty criteria established by the International Bank for Reconstruction and Development Civil Works Preference for providing financial assistance; or

(2) such country is a food deficit country and is characterized by high levels of malnutrition among significant numbers of its population, as determined by the Administrator under subsection (c).

(b) DEVELOPING COUNTRIES.—A country shall be considered to be a developing country and eligible for assistance under section 107 if such country has a shortage of foreign exchange earnings and has difficulty meeting all of its food needs through commercial channels, as determined by the Secretary.

(c) INDICATORS OF FOOD DEFICIT COUNTRIES.—To make a finding under subsection (a)(2) that a country is a food deficit country and is characterized by high levels of malnutrition, the Administrator (using the best available information) must determine that the country meets all of the following indicators of national food deficit and malnutrition:

(1) CALORIE CONSUMPTION.—That the daily per capita calorie consumption of the country is less than 2300 calories.

(2) FOOD SECURITY REQUIREMENTS.—That the country cannot meet its food security requirements through domestic production or imports due to a shortage of foreign exchange earnings.

(3) CHILD MORTALITY RATE.—That the mortality rate of children under 5 years of age in the country is in excess of 100 per 1000 births.

(d) VIOLATIONS OF HUMAN RIGHTS.—

(1) INELIGIBLE COUNTRIES.—The Administrator or the Secretary, as appropriate, shall not enter into any agreement under this title to provide agricultural commodities, or to finance the sale of agricultural commodities, to the government of any country determined by the President to engage in a consistent pattern of gross violations of internationally recognized human rights, including—

(A) the torture or cruel, inhuman, or degrading treatment or punishment of individuals;

(B) the prolonged detention of individuals without charges;

(C) the responsibility for causing the disappearance of individuals through the abduction and clandestine detention of such individuals; or

(D) other flagrant denials of the right to life, liberty, and the security of persons.

(2) WAIVER.—Paragraph (1) shall not prohibit the provision of food assistance to such a country if the food assistance is targeted to the most needy people in such country and is made available in such country through channels other than the government.

SEC. 103. GRANT PROGRAM.

(a) IN GENERAL.—To carry out the policies and accomplish the objectives described in section 2, the Administrator may negotiate and execute agreements with least developed countries under section 102(a) to provide commodities to such countries on a grant basis either through the Commodity Credit Corporation or through private trade channels.

(b) ALLOCATION OF ASSISTANCE.—

(1) COUNTRY DETERMINATION.—The Administrator shall (subject to section 401) determine whether and to what extent agricultural commodities shall be made available under this section to least developed countries.

(2) PRIORITY.—In making a determination under paragraph (1), the Administrator shall give priority to least developed countries that—

(A) demonstrate the greatest need for food;

(B) demonstrate the capacity to use food assistance effectively; and

(C) are willing to adopt policies to promote food security.

(c) MULTI-YEAR DEVELOPMENT AGREEMENTS.—

(1) SUBMISSION OF PROPOSAL.—Except as provided in paragraph (3), in entering into agreements under this section the Administrator shall enter into multi-year agreements to make agricultural commodities available to eligible countries.

(2) TERMS OF MULTI-YEAR AGREEMENT.—A multi-year agreement entered into under paragraph (1) shall—

(A) include an estimate of the annual value or volume of agricultural commodities proposed to be provided to the country under the agreement;

(B) include a plan for the intended use (on an annual basis) of the revenue generated from the sale within the country of the agricultural commodities provided under the agreement;

(C) include a statement of the manner in which the agricultural commodities provided under the agreement, or the revenue received for such commodities, will be integrated into the overall development plans of the country;

(D) include a plan to encourage competitive private sector participation within the country in the storage, marketing, transportation, and distribution of food assistance;

(E) include a statement that such agreement shall be subject to the availability, during each fiscal year to which such multi-year agreement applies, of the necessary appropriations and agricultural commodities; and

(F) contain such other terms and conditions as the Administrator determines to be necessary.

(3) EXCEPTION.—The Administrator may determine not to enter into a multi-year agreement with a country under paragraph (1) if the Administrator determines that assistance should be provided to such country only on an annual basis because—

(A) the past performance of the country in meeting program objectives does not warrant a multi-year agreement;

(B) it is anticipated that the need of the country for food aid does not extend beyond 1 year;

(C) other circumstances, as determined by the Administrator, indicate there is only a need for a 1 year agreement; or

(D) the country does not desire a multiyear agreement.

(d) TRANSPORTATION OF COMMODITIES.—

(1) HANDLING OF COMMODITIES.—The Administrator shall transfer, arrange for transportation, and take other steps necessary to make available to recipient countries agricultural commodities to be provided under this section.

(2) TRANSPORTATION OF COMMODITIES.—

(A) PURCHASING OR SHIPPING AGENT.—Except as provided in subparagraph (C), the Administrator is the only entity that may serve as the purchasing or shipping agent, or both, for the importing country in arranging the purchase or shipping of commodities financed under this section.

(B) REASONABLE FEES.—Nothwithstanding any other provision of law, the Administrator may enter in to an agreement with the importing country that contains the terms and conditions that will govern the provision of purchasing or shipping agent services by the Administrator, including the establishment of fees for such services. Any such fees shall be fair and reasonable in relation to the services performed and shall be available as reimbursement for costs incurred in providing such services.

(C) CONTRACTING.—The Administrator may award, under a competitive bidding process, contracts for establishing freight agents who shall act on behalf of the Administrator to handle the shipping of commodities financed under this section.

(3) TIMING OF SHIPMENT OF COMMODITIES.—In making determinations, under this subsection, the Administrator shall consider—

(A) the time of harvest of any competing commodities in the recipient country; and

(B) such other concerns determined to be appropriate by the Administrator.

(e) DEADLINE FOR AGREEMENTS.—An agreement between the recipient country and the Administrator to provide agricultural commodities under this section shall, to the extent practicable, be entered into not later than November 30 of the fiscal year in which such commodities are to be shipped.

SEC. 104. DIRECT USES OR SALES OF DONATED COMMODITIES WITHIN RECIPIENT COUNTRIES.

Agricultural commodities provided to a least developed country under section 103 may—

(1) be used in the recipient country for direct feeding programs or the development of emergency food reserves, or may be distributed through normal commercial channels; or

(2) be sold in such country by the country or the Administrator (or their designees) as provided in the agreement, and the proceeds of such sale distributed in accordance with section 105.

SEC. 105. LOCAL CURRENCY ACCOUNTS.

(a) RETENTION OF PROCEEDS.—To the extent practicable, all of the revenues generated from the sale, under section 104(2), of agricultural commodities provided under section 103 shall be deposited into a separate account (that may be interest bearing) in the recipient country to be disbursed in such country in accordance with local currency agreements entered into between the recipient country and the Administrator.

(b) OWNERSHIP AND PROGRAMMING OF ACCOUNTS.—The proceeds of the account referred to in subsection (a) shall be the property of the United States, or the recipient country, as determined appropriate by the Administrator, and shall be utilized for the benefit of the recipient country. If owned by the recipient country, such account shall be jointly programmed by the Administrator and the recipient country.

(c) OVERALL DEVELOPMENT STRATEGY.—The Administrator shall consider the amounts in the accounts referred to in this section as an integral part of the overall development strategy of the Agency for International Development and the recipient country.

SEC. 106. USE OF LOCAL CURRENCY ACCOUNTS.

(a) IN GENERAL.—Amounts contained in an account established under section 105(a) shall be used in the recipient country for economic development purposes, including—

(1) the promotion of policy reforms to improve food security and agricultural development within the country and to promote broad-based economically and environmentally sustainable growth;

(2) the establishment of development projects that promote food security, alleviate hunger, and improve nutrition;

(3) the promnotion of increased access to food supplies through the encouragement of policies and programs designed to increase employment and incomes within the country;

(4) the promotion of free and open markets;

(5) supporting United States private voluntary organizations and cooperatives and encouraging the development and utilization of indigenous nongovernmental organizations, including the use of endowments, the income of which will be used for the purposes described in this section;

(6) the purchase of agricultural commodities (including transportation and processing costs) produced in the country to meet urgent or extraordinary relief requirements in the country or in neighboring countries, or to develop emergency food reserves;

(7) the payment, the extent practicable, of the costs of carrying out the program authorized in section 209; and

(8) private sector development activities designed to further the purposes of this title.

(b) SUPPORT OF PRIVATE INDIGENOUS NON-GOVERNMENTAL ORGANIZATIONS.—To the extent practicable, not less than 10 percent of the amounts contained in an account established for a recipient country under section 105(a) shall be used by such country to support the development and utilization of indigenous nongovernmental organizations and cooperatives that are active in rural develop-

ment, sustainable agricultural production, and environmental protection projects within such country.

SEC. 107. CONCESSIONAL CREDIT SALES PROGRAM.

(a) IN GENERAL.—To carry out the policies and accomplish the objectives described in section 2, the Secretary may negotiate and execute agreements with developing countries under section 102(b) to finance the sale and exportation, for dollars or local currencies, of agricultural commodities to such countries on a deferred payment basis and on such other terms and conditions as required by the Secretary in such agreements.

(b) ALLOCATION OF ASSISTANCE.—

(1) COUNTRY DETERMINATION.—The Secretary shall determine whether and to what extent agricultural commodities shall be made available under this section to developing countries.

(2) PRIORITY.—In making a determination under paragraph (1), the Secretary shall give priority to developing countries that—

(A) demonstrate the greatest need for food;

(B) are listed on the priority list established by the Secretary under title I of the Agricultural Trade Act of 1978; and

(C) have the demonstrated potential to become commercial markets for competitively priced United States agricultural commodities.

(c) HANDLING OF COMMODITIES.—

(1) ACQUISITION OF COMMODITIES.—The importing country shall acquire agricultural commodities to be financed under this section.

(2) TRANSPORTATION OF COMMODITIES.—

(A) PURCHASING OR SHIPPING AGENT.—Except as provided in subparagraph (C), the Secretary or the Commodity Credit Corporation are the only entities that may serve as the purchasing or shipping agent, or both, for the importing country in arranging the purchase or shipping of commodities financed under this section.

(B) REASONABLE FEES.—Notwithstanding any other provision of law, the Secretary or the Commodity Credit Corporation may enter into an agreement with the importing country that contains the terms and conditions that will govern the provision of purchasing or shipping agent services by the Secretary or the Corporation, including the establishment of fees for such services. Any such fees shall be fair and reasonable in relation to the services performed and shall be available as reimbursement for costs incurred in providing such services.

(C) CONTRACTING.—The Secretary or the Commodity Credit Corporation may award, under a competitive bidding process, contracts for establishing freight agents who shall act on behalf of the Secretary or the Corporation to handle the shipping of commodities financed under this section.

(d) TIMING OF SHIPMENT OF COMMODITIES.—The Secretary shall determine the timing of the shipment of commodities to be provided

under this section. In making a determination under this subsection, the Secretary shall consider—

(1) the time of harvest of any competing commodities in the recipient country; and

(2) such other concerns determined to be appropriate by the Secretary.

SEC. 108. TERMS AND CONDITIONS OF SALES.

(a) PAYMENT.—

(1) DOLLARS.—Except as provided in paragraph (2), agreements entered into under section 107 shall require that payment for agricultural commodities be made in dollars.

(2) LOCAL CURRENCIES.—The Secretary may permit a recipient country to make payment under an agreement entered into under section 107 in the local currency of such country in order to use the proceeds from such payments to carry out activities under section 109.

(3) EXCHANGE RATE.—Payment in local currency shall be at rates of exchange that are not less favorable than the highest exchange rate legally obtainable in the country and that are not less favorable than the highest exchange rate obtainable by any other nation.

(b) INTEREST.—An agreement entered into under section 107 shall provide that interest accrue on the payment deferred under such agreement at a concessional rate as determined appropriate by the Secretary.

(c) DURATION.—Payments required under an agreement entered into under section 107 may be made in reasonable annual amounts over the period (not less than 10 nor more than 20 years from the date of the last delivery of commodities in each calendar year under such agreement) specified in the agreement.

(d) DEFERRAL OF PAYMENTS.—The Secretary may defer the date on which the recipient country is required to begin making payment, under an agreement entered into under section 107, for a period of not in excess of 7 years after the date of the last delivery of commodities under the agreement, and interest shall be computed from the date of such last delivery.

(e) MULTI-YEAR DEVELOPMENT AGREEMENTS.—

(1) SUBMISSION OF PROPOSAL.—Except as provided in paragraph (3), in entering into agreements under section 107 the Secretary shall enter into multi-year agreements to make the financing of the sales of agricultural commodities available to eligible countries.

(2) TERMS OF MULTI-YEAR AGREEMENT.—A multi-year agreement entered into under paragraph (1) shall—

(A) include an estimate of the annual value or volume of agricultural commodities proposed to be financed under the agreement;

(B) include a statement of the manner in which the agricultural commodities provided under the agreement, or the revenue received for such commodities, will be compatible with the overall development plans for the country;

(C) include a plan to encourage competitive private sector participation within the country in the storage, marketing,

transportation, and distribution of agricultural commodities financed under section 107;

(D) include a statement that such agreement shall be subject to the availability, during each fiscal year to which such multi-year agreement applies, of the necessary appropriations and agricultural commodities; and

(E) contain such other terms and conditions as the Secretary determines to be necessary.

(3) EXCEPTION.—The Secretary may determine not to enter into a multi-year agreement with a country under paragraph (1) if the Secretary determines that assistance should be provided only on an annual basis because—

(A) the past performance of the country does not warrant a multi-year agreement;

(B) it is anticipated that the need of the country for financial assistance does not extend beyond 1 year;

(C) other circumstances, as determined by the Secretary, indicate there is only a need for a 1 year agreement, or

(D) the country does not desire a multi-year agreement.

(f) DELIVERY OF COMMODITIES.—Delivery of the commodities that are subject to an agreement entered into under section 107 shall be made in accordance with the terms of the agreement and shall be subject to the availability of the commodities at the time delivery is to be made, as determined by the Secretary.

SEC. 109. USE OF PAYMENTS.

(a) IN GENERAL.—Agreements entered into under section 107 may provide that the Secretary shall use payments made by the recipient country in the form of foreign currencies under section 108 as provided for in subsection (b).

(b) ACTIVITIES.—The proceeds from the payments referred to in subsection (a) (including principal and interest from loan repayments under this subsection) shall be used for one or more of the following activities:

(1) TRADE DEVELOPMENT.—To carry out programs to help develop markets for United States agricultural commodities on a mutually beneficial basis in the recipient country.

(2) AGRICULTURAL BUSINESS DEVELOPMENT LOANS.—To make loans to United States business entities (including cooperatives) and branches, subsidiaries, or affiliates of such entities for agricultural business development and agricultural trade expansion in such recipient countries.

(3) AGRICULTURAL FACILITIES LOANS.—To make loans to domestic or foreign entities (including cooperatives) for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural commodities.

(4) TRADE PROMOTION.—To promote agricultural trade development, under procedures established by the Secretary, by making loans or through other activities that the Secretary determines to be appropriate.

(5) RECIPIENT COUNTRY.—To conduct private sector agricultural trade development activities in the recipient country, as determined appropriate by the Secretary.

(6) RESEARCH.—To conduct research in agriculture, forestry, and agriculture, including research which is mutually beneficial to the United States and the recipient country.

(7) UNITED STATES OBLIGATIONS.—To make payments of United States obligations (including obligations entered into pursuant to other laws).

(c) SPECIAL ACCOUNT.—Foreign currencies received by the Secretary under section 107 shall be deposited in an interest-bearing account to the credit of the United States and shall be used as provided for in this section. Any department or agency of the Federal government other than the Department of Agriculture using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used.

(d) EXEMPTION.—Section 1415 of the Supplemental Appropriation Act, 1953, shall not apply to foreign currencies used by the Secretary under paragraphs (1) through (6) of subsection (b).

SEC. 110. PROCEDURES.

(a) INVITATION FOR BID.—No purchases of agricultural commodities from private stock or purchase of ocean transportation shall be financed under section 107 or 103 unless such purchases are made on the basis of an invitation for bid that is publicly advertised in the United States, and on the basis of bid offerings that shall conform to such invitation that shall be received and publicly opened in the United States. All awards in the purchase of commodities or ocean transportation financed under section 107 or 103 shall be consistent with open, competitive, and responsive bid procedures, as determined appropriate by the Secretary or the Administrator, as appropriate.

(b) PROHIBITION ON COMMISSIONS.—Commissions, fees, or other payments to any selling agent or to any agent of a purchaser or grantee shall be prohibited in the purchase of agricultural commodities and ocean transportation that are financed under section 107 or 103.

(c) REPORTING OF FEES.—

(1) REQUIREMENT.—Notwithstanding any other provision of law, any commission, fee, or other compensation of any kind paid, or to be paid, by any supplier of an agricultural commodity, or any ocean transportation financed or agricultural commodity donated by the Commodity Credit Corporation under this title, to any agents, brokers, or other representatives of the importer or importing country, including a corporation owned or controlled by the importer or the government of the importing country, shall be reported to the Secretary by the supplier of the commodity or ocean transportation.

(2) CONTENT.—A report filed under paragraph (1) shall identify the person or entity to whom the payment is made and the transaction in connection with which the payment is made and the amount of the commission or fees paid.

(3) PUBLICATION OF INFORMATION.—The Secretary shall—

(A) maintain all information provided under this subsection for public inspection;

(B) publish a report containing the information referred to in subparagraph (A) annually; and

(C) forward a copy of the annual report referred to in subparagraph (B) to the Committee on Agriculture and the Committee on Foreign Affairs of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(4) FAILURE TO FILE.—A supplier of a commodity or ocean transportation who fails to file a report under this subsection, or who files a false report, shall be ineligible to furnish, directly or indirectly, commodities or ocean transportation financed under this title for a period of 5 years.

(d) AVOIDANCE OF CONFLICT OF INTEREST.—Freight agents employed by the Secretary, the Commodity Credit Corporation, or the Agency for International Development under this Act shall not represent any supplier of commodities, freight or ancillary services, or any foreign government during the period of their contract with the United States government.

SEC. 111. VALUE-ADDED FOODS.

(a) POLICY.—Congress declares it to be the policy of the United States to assist developing countries that are or have been recipients of high protein, blended, or fortified foods under title II to continue to combat hunger and malnutrition among the lower income segments of the population of such countries, especially children, through the continued provision of such foods under this title.

(b) PARTIAL WAIVER OF REPAYMENT.—In implementing the policy declared in subsection (a), the Secretary, in entering into agreements for the sales of high protein, blended, or fortified foods under section 107 with countries that—

(1) provide assurances that the benefits of any waiver granted under this subsection will be passed on to the individual recipients of such foods; and

(2) have a reasonable potential for transferring benefits of such waiver to commerical purchasers of such foods;

may make provisions of a waiver of payment of not to exceed an amount equal to the value of that part of the product that is attributable to the costs of processing, enrichment, or fortification of such product.

(c) MINIMIZE IMPACT.—In implementing this section, the Secretary shall, to the extent practicable, minimize the impact of such section on other commercial and concessional sales of whole grains and, where feasible, agreements under section 107 utilizing the authority contained in this section to provide for sales of such commodities.

SEC. 112. USE OF COMMODITY CREDIT CORPORATION.

(a) USE OF COMMODITY CREDIT CORPORATION.—

(1) DONATED COMMODITIES.—The Commodity Credit Corporation shall acquire or otherwise make available to the Administrator, by donation, purchase, or the financing of a sale, such agricultural commodities as are determined under section 401 to be available to carry out agreements entered into under section 103.

(2) CREDIT SALES.—The Commodity Credit Corporation may finance the sale and export of such agricultural commodities,

whether from private stocks or from the stocks of the Commodity Credit Corporation, as are determined under section 401 to be available to carry out agreements entered into under section 107.

(b) COST AND FREIGHT BASIS.—The Commodity Credit Corporation may, in carrying out the provisions of this title, make commodities available under section 103 to the recipient country on a coast and freight (C&F) basis or arrange for sales of commodities financed under section 107 to be made on a cost and freight (C&F) basis.

(c) INCLUDED EXPENSES.—With respect to commodities made available under section 103, the Commodity Credit Corporation may pay—

(1) the cost of acquiring such commodities;

(2) the costs associated with packaging, enrichment, preservation, and fortification of such commodities;

(3) the processing, transportation, handling, and other incidental costs up to the time of the delivery of such commodities free on board vessels in United States ports;

(4) the ocean freight charges from United States ports to designated ports of entry abroad;

(5) the costs associated with transporting such commodities from United States ports to designated points of entry abroad in the case—

(A) of landlocked countries;

(B) of ports that cannot be used effectively because of natural or other disturbances;

(C) of the unavailability of carriers to a specific country; or

(D) of substantial savings in costs or time that may be effected by the utilization of points of entry other than ports;

(6) in the case of commodities for urgent and extraordinary relief requirements (including pre-positioned commodities) the transportation costs incurred in moving the commodities from designated points of entry or ports of entry aboard to storage and distribution sites and associated storage and distribution costs; and

(7) the charges for general average contributions arising out of the ocean transport of commodities transferred pursuant thereto.

(d) LIMITATION ON EXPENDITURES.—The total value of agreements entered into under this title during any fiscal year shall not exceed an amount that would require Congress to appropriate in excess of $1,900,000,000 to reimburse the Commodity Credit Corporation for commodities and services provided under such agreements, in addition to any amount by which such agreements in prior year have necessitated, or will necessitate, additional appropriations to reimburse the Commodity Credit Corporation for commodities and services provided in amounts that exceed amounts authorized for prior years.

SEC. 113. REGULATIONS.

The Secretary or the Administrator, as applicable, shall promulgate regulations implementing the provisions of this title.

TITLE II—EMERGENCY AND PRIVATE ASSISTANCE PROGRAMS

SEC. 201. GENERAL AUTHORITY.

The President through the Administrator may provide agricultural commodities to foreign countries on behalf of the people of the United States to—

(1) address famine or other urgent or extraordinary relief requirements;

(2) combat malnutrition, especially in children and mothers;

(3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity;

(4) promote economic and community development; and

(5) promote sound environmental practices.

SEC. 202. PROVISIONS OF AGRICULTURAL COMMODITIES.

(a) EMERGENCY ASSISTANCE.—The Administrator may provide agricultural commodities to meet emergency food needs under section 201 through governments and public or private agencies, including intergovernmental organizations such as the World Food Program and other multilateral organizations, in such manner and on such terms and conditions as the Administrator determines appropriate to respond to the emergency.

(b) NON-EMERGENCY ASSISTANCE.—The Administrator may provide agricultural commodities for non-emergency assistance under section 201 through eligible organizations (as described in subsection (d)) that have entered into an agreement with the Administrator to use such commodities in accordance with this title.

(c) FORM OF ASSISTANCE.—Agricultural commodities provided under this title may be made available for direct distribution, sale, barter, or other appropriate disposition in carrying out section 201.

(d) ELIGIBLE ORGANIZATIONS.—To be eligible to receive assistance under this title an organization shall be—

(1) a private voluntary organization or cooperative that is, to the extent practicable, registered with the Administrator; or

(2) an intergovernmental organization, such as the World Food Program.

(e) MULTI-YEAR AGREEMENTS.—

(1) APPROVAL.—Except as provided in paragraph (3), in entering into agreements under this section the Administrator shall enter into multi-year agreements with eligible organizations to make agricultural commodities available for non-emergency assistance through such organizations under this title.

(2) TERMS.—A multi-year agreement entered into under paragraph (1) shall—

(A) include assurances that the eligible organization that is subject to the agreement shall provide assistance under the agreement on a multi-year basis;

(B) include a statement that such agreement shall be subject to the availability, during each fiscal year to which such multi-year agreement applies, of the necessary appropriation and agricultural commodities; or

(C) contain such other terms and conditions as the Administrator determines to be necessary.

(3) EXCEPTION.—The Administrator may refuse to enter into a multi-year agreement with an organization under paragraph (1) if the Administrator determines that assistance should be provided through such organization only on an annual basis because—

(A) the past performance of such organization does not warrant a multi year agreement;

(B) it is anticipated that the need of the country for food aid does not extend beyond 1 year;

(C) other circumstances, as determined by the Administrator, indicate there is only a need for a 1 year agreement; or

(D) the eligible organization does not desire a multi-year agreement.

(f) ADMINISTRATIVE COSTS.—

(1) IN GENERAL.—Not less than 2 percent of the amounts made available in each fiscal year under this title shall be made available by the Administrator to United States private voluntary organizations or cooperatives to assist such organizations and cooperatives in—

(A) expanding and establishing new programs under this title; and

(B) meeting administrative, management, personnel and internal transportation and distribution costs for carrying out programs under this title.

(2) REQUEST FOR FUNDS.—To receive funds made available under paragraph (1), a private voluntary organization or cooperative shall submit a request for such funds when submitting a proposal to the Administrator for an agreement under this title.

(3) CONTENT OF REQUEST.—A request for funds under paragraph (2) shall include a specific explanation of—

(A) the program costs to be offset by such funds;

(B) the reason why such funds are needed by the private voluntary organization or cooperative in carrying out the particular assistance program; and

(C) the degree to which such funds will improve the provision of food assistance to countries of the world (particularly those in sub-Saharan Africa) suffering from acute, long-term food storages.

(g) EFFECTIVE USE OF COMMODITIES.—To ensure that agricultural commodities made available under this title are used effectively and in the areas of greatest need, organizations or cooperatives through which such commodities are distributed shall—

(1) to the extent feasible, work with indigenous institutions and employ indigenous workers;

(2) assess and take into account nutritional and other needs of beneficiary groups;

(3) help such beneficiary groups design and carry out mutually acceptable projects;

(4) recommend to the Administrator methods of making assistance available that are the most appropriate for each local setting;

(5) supervise the distribution of commodities provided and the implementation of programs carried out under this title; and

(6) periodically evaluate the effectiveness of projects undertaken under this title.

(h) PRIORITY.—In carrying out the provisions of this title, the Administrator shall give priority to United States private voluntary organizations or cooperatives.

(i) LABELING.—Commodities provided under this title shall, to the extent practicable, be clearly identified with appropriate markings on the package or container of such commodity in the language of the locality in which such commodities are distributed, as being furnished by the people of the United States of America.

SEC. 203. GENERATION AND USE OF FOREIGN CURRENCIES BY PRIVATE VOLUNTARY ORGANIZATIONS AND COOPERATIVES.

(a) LOCAL SALE AND BARTER OF COMMODITIES.—An agreement entered into between the Administrator and a private voluntary organization or cooperative to provide food assistance through such organization or cooperative under this title may provide for the sale or barter in the recipient country of the commodities to be provided under such agreement.

(b) MINIMUM LEVEL OF LOCAL SALES.—In carrying out agreements of the type referred to in subsection (a), the Administrator shall permit private voluntary organizations and cooperatives to sell, in recipient countries, an amount of commodities equal to not less than 10 percent of the aggregate amounts of all commodities distributed under non-emergency programs under this title for each fiscal year, to generate foreign currency proceeds to be used as provided in this section.

(c) DESCRIPTION OF INTENDED USES.—A private voluntary organization or cooperative submitting a proposal to enter into a non-emergency food assistance agreement under this title shall include in such proposal a description of the intended uses of any foreign currency proceeds that may be generated through the sale, in the recipient country, of any commodities provided under an agreement entered into between the Administrator and the organization or cooperative.

(d) USE.—Foreign currencies generated from any partial or full sale or barter of commodities by a private voluntary organization or cooperative under a non-emergency food assistance agreement under this title may be used—

(1) to transport, store, distribute, and otherwise enhance the effectiveness for the use of agricultural commodities provided under this title;

(2) to implement income generating, community development, health, nutrition, cooperative development, agricultural, and other developmental activities within the recipient country; or

(3) to establish an endowment, the income of which shall be used for the purposes described in paragraph (1) or (2).

(e) SALES ASSISTANCE.—The Administrator may provide assistance to an organization or cooperative, on request, in the sale of commodities in the recipient country.

SEC. 204. LEVELS OF ASSISTANCE.

(a) MINIMUM ASSISTANCE.—Except as provided in paragraph (3), the Administrator shall make agricultural commodities available for food distribution under this title in an amount that—

(A) for fiscal year 1991, is not less than 1,685,000 metric tons;

(B) for fiscal year 1992, is not less than 1,710,000 metric tons;

(C) for fiscal year 1993, is not less than 1,735,000 metric tons;

(D) for fiscal year 1994, is not less than 1,760,000 metric tons; and

(E) for fiscal year 1995, is not less than 1,785,000 metric tons.

(2) MINIMUM NON-EMERGENCY ASSISTANCE.—Of the amounts specified in paragraph (1), and except as provided in paragraph (3), the Administrator shall make agricultural commodities available for non-emergency food distribution through eligible organizations under section 202(a) in an amount that—

(A) for fiscal year 1991, is not less than 1,450,000 metric tons;

(B) for fiscal year 1992, is not less than 1,475,000 metric tons;

(C) for fiscal year 1993, is not less than 1,500,000 metric tons;

(D) for fiscal year 1994, is not less than 1,525,000 metric tons; and

(E) for fiscal year 1995, is not less than 1,550,000 metric tons.

(3) EXCEPTION.—The Administrator may waive the requirements of paragraphs (1) and (2) for any fiscal year if the Administrator determines that such quantities of commodities cannot be used effectively to carry out this title or in order to meet an emergency. In making a waiver under this paragraph, the Administrator shall prepare and submit to the Committee on Foreign Affairs and Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report containing the reasons for the waiver.

(b) USE OF VALUE-ADDED COMMODITIES.—

(1) MINIMUM LEVELS.—Except as provided in paragraph (2), in making agricultural commodities available under this title, the Administrator shall ensure that not less than 75 percent of the quantity of such commodities required to be distributed during each fiscal year under subsection (a)(2), be in the form of processed or fortified products or bagged commodities, including processed milk, plant protein products, and fruit, nut, and vegetable products.

(2) WAIVER OF MINIMUM.—The Administrator may waive the requirement of paragraph (1) for any fiscal year in which the Administrator determines that the requirements of the programs established under this title will not be best served by the enforcement of such requirement under such paragraph.

SEC. 205. FOOD AID CONSULTATIVE GROUP.

(a) ESTABLISHMENT.—There is established a Food Aid Consultative Group (hereinafter referred to in this section as the "Group") that shall meet regularly to review and address issues concerning

the effectiveness of the regulations and procedures that govern food assistance programs established and implemented under this title, and the implementation of other provisions of this title that may involve private voluntary organizations, cooperatives and indigenous non-governmental organizations.

(b) MEMBERSHIP.—The Group shall be composed of—

(1) the Administrator;

(2) the Under Secretary for International Affairs and Commodity Programs;

(3) the Inspector General of the Agency for International Development;

(4) representatives of each private voluntary organization and cooperative participating in a program under this title, or receiving planning assistance funds from the Agency to establish programs under this title; and

(5) one representative each from African, Asian and Latin American indigenous non-governmental organizations determined appropriate by the Administrator.

(c) CHAIRPERSON.—The Administrator shall be the chairperson of the Group.

(d) CONSULTATIONS.—In preparing regulations, handbooks, or guidelines implementing this title, or significant revisions thereto, the Administrator shall provide such proposals to the Group for review and comment and shall consult and, when appropriate, meet with the Group regarding such proposed regulations, handbooks, guidelines, or revisions thereto prior to the issuance of such.

(e) ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Group.

SEC. 206. USE OF COMMODITY CREDIT CORPORATION.

(a) AVAILABILITY OF COMMODITIES.—The Commodity Credit Corporation shall (subject to section 401) make available to the Administrator such agricultural commodities as the Administrator may request to implement this title.

(b) INCLUDED EXPENSES.—With respect to commodities made available under this title, the Commodity Credit Corporation may pay—

(1) the cost of acquiring such commodities;

(2) the costs associated with packaging, enrichment, preservation, and fortification of such commodities;

(3) the processing, transportation, handling, and other incidential costs up to the time of the delivery of such commodities free on board vessels in United States ports;

(4) the ocean freight charges from United States ports to designated ports of entry abroad;

(5) the costs associated with transporting such commodities from United States ports to designated points of entry abroad in the case—

(A) of landlocked countries;

(B) of ports that cannot be used effectively because of natural or other disturbances;

(C) of the unavailability of carriers to a specific country; or

(D) of substantial savings in costs or time that may be effected by the utilization of points of entry other than ports;

(6) in the case of commodities for urgent and extraordinary relief requirements (including pre-positioned commodities) the transportation costs incurred in moving the commodities from designated points of entry or ports of entry abroad to storage and distribution sites and associated storage and distribution costs; and

(7) the charges for general average contributions arising out of the ocean transport of commodities transferred pursuant thereto.

SEC. 207. MAXIMUM LEVEL OF EXPENDITURES.

(a) MAXIMUM EXPENDITURES.—Except as provided in subsection (b), programs of assistance shall not be undertaken under this title during any fiscal year if such programs necessitate an appropriation of more than $1,000,000,000 to reimburse the Commodity Credit Corporation for all costs incurred in connection with such programs (including the Corporation's investment in commodities made available).

(b) WAIVER BY PRESIDENT.—The President may waive the limitation contained in subsection (a) if the President determines that such waiver is necessary to undertake programs of assistance to meet urgent humanitarian or emergency needs.

SEC. 208. ADMINISTRATION.

(a) PROPOSALS.—

(1) TIME FOR DECISION.—Not later than 45 days after the receipt by the Administrator of a proposal submitted—

(A) by a private voluntary organization or cooperative, with the concurrence of the appropriate United States field mission, for commodities; or

(B) by a United States field mission to make commodities available to a private voluntary organization or cooperative;

under this title, the Administrator shall make a decision concerning such proposal.

(2) DENIAL.—If a proposal under paragraph (1) is denied, the response shall specify the reasons for denial and the conditions that must be met for the approval of such proposal.

(C) establishing reasonable and realistic accountability standards to be applied to eligible organizations participating in the programs established under this title, taking into consideration the problems associated with carrying out programs in developing countries; and

(D) providing flexibility for carrying out programs under this title.

(3) HANDBOOKS.—Handbooks developed by the Administrator to assist in carrying out the program under this title shall be designed to foster the development of programs under this title by eligible organizations.

(d) DEADLINE FOR SUBMISSION OF COMMODITY ORDERS.—Not later than 15 days after receipt of a call forward from a United States field mission for agricultural commodities that meet the requirements of this title, the order for the purchase or the supply, from

inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.

SEC. 209. FARMER-TO-FARMER PROGRAM.

(a) IN GENERAL.—To further assist developing countries, middle-income countries, and newly-emerging democracies to increase farm production and farmer incomes, port technical assistance activities through cash and in-kind services;

(4) enter into contracts, cooperative agreements, or make grants to private voluntary organizations, cooperatives, land grant universities, private agribusiness or non-profit farm organizations, to the extent practicable, to carry out this section;

(5) coordinate programs established under this section with other foreign assistance activities carried out by the United States; and

(6) to the extent practicable, augment the funds available for programs established under this section through the use of foreign currencies that accrue from the sale of agricultural commodities under this Act, and local currencies generated from other types of foreign assistance activities.

(b) DEFINITIONS.—

(1) EMERGING DEMOCRACIES.—For the purposes of this section, the term "emerging democracy" means a country that has recently begun the transformation of its system of government from a non-representative type of government to a representative democracy and that is encouraging democratic institution building, and the cultural values, institutions, and organizations of democratic pluralism.

(2) MIDDLE INCOME COUNTRY.—For the purposes of this section, the term "middle-income country" means a country that has developed economically to the point where it does not receive bilateral economic assistance from the United States.

(c) MINIMUM FUNDING.—Notwithstanding any other provision of law, not less than 0.1 percent of the amounts made available for each of the fiscal years 1991 through 1995 to carry out this Act, in addition to any funds that may be specifically appropriated to carry out this section, shall be used to carry out programs under this section in developing countries.

TITLE III—FOOD FOR FREEDOM

SEC. 301. FOOD FOR FREEDOM.

(a) ESTABLISHMENT OF PROGRAM.—There is established under this section a program to be known as the "Food for Freedom Program" (hereinafter referred to in this title as the "Program").

(b) AGREEMENTS.—The President may enter into agreements with eligible countries (as described in subsection (d)), or with private voluntary organizations or cooperatives, to provide agricultural commodities under this section to eligible countries to support the democratization of the governments of such countries, the granting of individual liberties to the people of such countries, and the promotion of economic freedom within such countries.

(c) TYPES OF ASSISTANCE.—Commodities made available under this section may be provided on a grant basis or on credit terms, as authorized in this section.

(d) ELIGIBLE COUNTRIES.—To be eligible to participate in the program established under this section, a country shall, as determined by the President—

(1) have begun the transformation of the system of government of the country from a nonrepresentative type of government to a representative democracy; or

(2) have made commitments to introduce or expand free enterprise elements in the economy of such country.

(e) COMMODITY CREDIT CORPORATION.—

(1) DUTIES.—The Commodity Credit Corporation shall—

(A) make such agricultural commodities available to the President as are determined under section 401 to be available to carry out agreements entered into by the President under this section; and

(B) finance the sale and exportation of such agricultural commodities to the extent necessary to carry out agreements entered into by the President under this section.

(2) PURCHASE OF COMMODITIES.—The Commodity Credit Corporation may purchase commodities for use under this section if—

(A) the Commodity Credit Corporation does not hold stocks of such commodities at the time of such purchase; or

(B) Commodity Credit Corporation stocks at the time of such purchase are insufficient to satisfy commitments made in agreements entered into under this section and such commodities are needed to fulfill such commitments.

(3) EXPENSES.—The Commodity Credit Corporation may pay certain expenses in connection with the Program under this section as are described in section 206(b).

(4) LIMITATION ON EXPENDITURES.—No funds of the Commodity Credit Corporation in excess of $50,000,000 (exclusive of the cost of commodities) in each fiscal year shall be used to carry out this section unless such excess is appropriated in advance in appropriations Acts.

(f) AGREEMENTS.—If the President enters into an agreement with a private voluntary organization or cooperative under this section, such agreement—

(1) shall require such organization or cooperative to use any commodities provided to it under this section to carry out the purposes of this section;

(2) may permit such organization or cooperative to sell or barter any commodities provided to it under this section, and use the amounts generated through such sale or barter—

(A) to promote the establishment and expansion of private enterprise in the recipient country;

(B) to aid in the production of food in the recipient country through improved agricultural research, marketing systems, and instruments of production in such country; and

(C) to help develop commercial markets for the purchase of agricultural commodities; and

(3) shall contain such other terms and conditions as are determined necessary by the President.

(g) MULTI-YEAR BASIS.—An agreement entered into under this section may provide for commodities to be made available on a multi-year basis subject to the availability of funds and commodities.

(h) TRANSSHIPMENT OF COMMODITIES.—An agreement entered into under this section shall prohibit the resale or transshipment of the commodities made available under such agreement to other countries, unless such resale or transshipment is authorized by the President.

(i) DISPLACEMENT.—In implementing this section, the President shall, to the extent practicable, avoid the displacement of any sales of United States agricultural commodities that would otherwise be made to eligible countries and avoid disrupting foreign and domestic markets for United States agricultural commodities.

(j) RESTRICTIONS ON AGREEMENTS.—No agreement shall be entered into under this section if such agreement would result in—

(1) the inability of the Commodity Credit Corporation to provide sufficient commodities to carry out food assistance programs established under titles I and II, or domestic commodity programs established under titles I and II of the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) or agricultural trade programs established under the agricultural Trade Act of 1978 (7 U.S.C. 1761 et seq.);

(2) a shortage in the domestic supply of any commodities that would be required under the terms of such agreement; or

(3) the inability of the Commodity Credit Corporation to maintain adequate carryover stocks to meet any emergency, the requirements of the Agricultural Act of 1949, or the requirements of any other Act.

(k) REPORT OF PRESIDENT.—Not later than January 15 of each year after a year in which an agreement entered into under this section is in effect, the President shall prepare and submit, to the Committee on Agriculture and the Committee on Foreign Affairs of the House of Representative and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report concerning the commodities and funds made available under this section during the previous fiscal year.

SEC. 302. PRIVATE MARKET ENHANCEMENT.

(a) PRIVATE SECTOR AGRICULTURE.—To enhance the development of private sector agriculture in countries receiving assistance under this title the President may, in each of the fiscal years 1991 through 1995, use in addition to any amounts or commodities otherwise made available under this Act for such activities, not less than $20,000,000 of Commodity Credit Corporation fund (or commodities of an equal value owned by the Corporation), to provide assistance in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture in recipient countries.

(b) USE OF COMMODITY TRANSACTION.—To carry out this section, the President may provide agricultural commodities under agreements entered into under this Act in a manner that uses the commodity transaction itself as a means of developing in the recipient countries a competitive private sector that can provide for the im-

portation, transportation, storage, marketing and distribution of such commodities.

(c) USE OF FUNDS.—The President may use the assistance provided under this section and local currencies derived from the sale of commodities under subsection (b) to design, monitor, and administer activities undertaken with such assistance, for the purpose of strengthening or creating the capacity of recipient country private enterprises to undertake commercial transactions, with the overall goal of increasing potential markets for United States agricultural products.

SEC. 303. CLASSIFICATION OF EXPENDITURES.

The value of commodities made avaliable under section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1413(b)), or under any other Act, and provided through the programs established under this title, and any expenses incurred by the Commodity Credit Corporation in connection with the provision of commodities under this title, shall be in addition to the level of assistance provided under titles I and II and shall not be considered expenditures for international affairs and finance.

TITLE IV—GENERAL AUTHORITIES AND REQUIREMENTS

SEC. 401. COMMODITY DETERMINATIONS.

(a) AVAILABLE COMMODITIES.—After consulting with other agencies of the Federal Government affected and within policies established by the President for implementing this Act, and after taking into consideration productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carryover, the Secretary shall, prior to the beginning of each fiscal year, determine the agricultural commodities and quantities thereof available for disposition under this Act.

(b) POLICIES FOR IMPLEMENTING ACT.—In establishing policies for implementing this Act, the President should attempt to maintain a stable level of available agricultural commodities under this Act of the kind and type needed to provide food assistance to developing countries and should attempt to make such commodities available to the degree necessary to fulfill multi-year agreements entered into under this Act.

(c) COMMODITIES NOT AVAILABLE.—The Secretary may suspend the eligibility of a commodity for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary.

(d) EXCEPTION.—Notwithstanding subsections (a) and (c), the Secretary may make commodities available for disposition under this Act if the Secretary determines that some part of the supply of such commodity should be used to carry out urgent humanitarian purposes of this Act.

(e) INELIGIBLE COMMODITIES.—

(1) ALCOHOLIC BEVERAGES.—Alcoholic beverages shall not be made available for disposition under this Act.

(2) TOBACCO.—Tobacco or the products thereof shall not be made available under section 103 or title II of this Act.

(f) REPRESENTATIVES IN MARKET DEVELOPMENT ACTIVITIES.—Subsection (e)(1) shall not be construed to prohibit representatives of the United States wine, beer, distilled spirits, or other alcoholic beverage industry from participating in agricultural market development activities carried out by the Secretary with foreign currencies made available under title I of this Act.

SEC. 402. GENERAL PROVISIONS.

(a) PROHIBITION.—No agricultural commodity shall be made available under this Act unless the Secretary or Administrator, as appropriate, determines that—

(1) adequate storage facilities will be available in the recipient country at the time of the arrival of the commodity to prevent the spoilage or waste of the commodity; and

(2) the distribution of the commodity in the recipient country will not result in a substantial disincentive to or interference with domestic production or marketing in that country.

(b) CONSULTATIONS.—The administrator or the Secretary, as appropriate, shall consult with representatives from the International Monetary Fund, the World Bank, and the government of the country that receives assistance under this Act to ensure that the importation of United States agricultural commodities and the use of local currencies for development purposes will not have a disruptive impact on the farmers or the local economy of the recipient country.

(c) TRANSSHIPMENT.—The Secretary or the Administrator, as appropriate, may, under such terms and conditions as are determined to be appropriate, require commitments from countries designed to prevent or restrict the resale or transshipment to other countries, for use for other than domestic purposes, of agricultural commodities donated or purchased under this Act.

(d) USE OF PRIVATE TRADE CHANNELS.—The Secretary or the Administrator, as appropriate, shall ensure that, in providing commodities or concessional credit sales under this Act, private trade channels are used to the maximum extent practicable in the United States and in the recipient countries with respect to—

(1) sales form privately owned stocks;

(2) sales from stocks owned by the Commodity Credit Corporation; and

(3) donations; and

that small businesses have adequate and fair opportunity to participate in sales made under this Act.

(e) WORLD PRICES.—In carrying out this Act, the Secretary or the Administrator, as appropriate, shall take reasonable precautions to assure that sales or donations of agricultural commodities will not unduly disrupt world prices for agricultural commodities or normal patterns of commercial trade with foreign countries.

(f) FOOD FOR PEACE.—The Secretary or the Administrator, as appropriate, shall obtain commitments from countries purchasing commodities under this Act that such countries will widely publicize, to the extent practicable, through the use of the public media and through other means, that such such commodities are being provided through the friendship of the American people as food for peace.

(g) PARTICIPATION OF PRIVATE SECTOR.—The Administrator or the Secretary, as appropriate, shall encourage the private sector of the United States and private importers in developing countries to participate in the programs established under this Act.

(h) SAFEGUARD USUAL MARKETINGS.—In carrying out this Act, the Secretary or the Administrator, as appropiate, shall take reasonable precautions to safeguard the usual marketings of the United States and to avoid displacing any sale of the United States agricultural commodities that the Secretary or Administrator determines would otherwise be made for cash dollars.

(i) MILITARY DISTRIBUTION OF FOOD AID.—

(1) IN GENERAL.—The Administrator shall attempt to ensure that agricultural commodities made available under section 103 or under title II will be provided without regard to the political affiliation, geographic location, ethnic, tribal, or religious identity of the recipient or without regard to other extraneous factors.

(2) PROHIBITION ON HANDLING OF COMMODITIES BY THE MILITARY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Administrator shall not enter into an agreement under section 103 or title II to provide agricultural commodities if such agreement requires or permits the distribution, handling, or allocation of such commodities by the military forces of any government or insurgent group.

(B) EXCEPTION.—Notwithstanding subparagraph (A), the Administrator may authorize the handling or distribution of commodities by the military forces of a country in exceptional circumstances in which—

(i) nonmilitary channels are not available for such handling or distribution;

(ii) such action is consistent with the requirements of paragraph (1); and

(iii) the Administrator determines that such action is necessary to meet the emergency health, safety, or nutritional requirements of the recipient population.

(C) REPORT.—Not later than 30 days after an authorization is provided under subparagraph (B), the Administrator shall prepare and submit to the appropriate Committees of Congress a report concerning such authorization and include in any such report the reason for the authorization, including an explanation of why no alternatives to such handling or distribution were available.

(3) ENCOURAGEMENT OF SAFE PASSAGE.—When entering into agreements under section 103 or title II that involve areas within recipient countries that are experiencing protracted warfare or civil strife, the Administrator shall, to the extent practicable, encourage all parties to the conflict to permit safe passage of the commodities and other relief supplies and to establish safe zones for medical and humanitarian treatment and evacuation of injured persons.

(j) OCEAN TRANSPORTATION SERVICES.—Notwithstanding any provision of the Federal Property Act of 1949, as amended, or other similar provisions relating to the making or performance of Federal

Government contracts, the Agency for International Development may procure ocean transportation services under this Act under such full and open competitive procedures as such Agency may determine necessary and appropriate.

SEC. 403. DEBT FORGIVENESS.

(a) IN GENERAL.—The President may waive the payments that would otherwise be made to the United States by an eligible developing country as a result of food aid obligations to the Commodity Credit Corporation provided under this Act.

(b) ELIGIBLE DEVELOPING COUNTRIES.—A country shall be an eligible developing country for purposes of subsection (a) if the country meets the least developed country criteria described in section 102(a) and—

(1) an International Monetary Fund standby agreement is in effect with respect to that country;

(2) a structural adjustment program of the International Bank for Reconstruction and Development or of the International Development Association is in effect with respect to that country; or

(3) a structural adjustment facility or enhanced structural adjustment facility with the International Monetary Fund is in effect with respect to that country.

(c) REQUEST FOR DEBT RELIEF BY PRESIDENT.—The President may provide debt relief under subsection (a) only if a request for such relief is included in the annual budget of the President that is submitted to Congress, or is transmitted, not later than 3 months after the annual budget of the President is submitted to Congress, to the Committee on Foreign Affairs, the Committee on Appropriations and the Committee on Agriculture of the House of Representatives, and the Committee on Appropriations and the Committee on Agriculture, Nutrition and Forestry of the Senate. Such a request shall—

(1) specify the amount of official debt the President proposes to liquidate;

(2) identify the countries for which debt relief is proposed and the basis for their eligibility under subsection (b); and

(3) establish a separate line item to cover the anticipated cost of any proposed debt liquidation under subsection (a).

(d) APPROPRIATIONS ACTION REQUIRED.—The authorities of this section may be exercised only to such extent or in such amounts as are provided in advance in appropriation Acts.

(e) PROHIBITION OF NEW LOANS.—No food aid loans under this Act shall be provided to countries receiving debt relief under subsection (a) for a period of 2 years.

SEC. 404. EXPIRATION DATE.

No agreements to finance sales or to provide other assistance under this Act shall be entered into after December 31, 1995.

SEC. 405. REDUCTION IN DEFICIT IN BALANCE OF PAYMENTS.

The President may utilize foreign currencies received under this Act in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States.

SEC. 406. INDEPENDENT EVALUATION OF PROGRAMS.

(a) GRANT PROGRAM.—Not later than 2 years after the date of enactment of this Act, and once every 3 years thereafter, the Comptroller General of the United States shall select five countries that receive assistance under section 103 that are representative of all such countries in three geographic regions and evaluate—

(1) the uses of the commodities provided under such title in such countries; and

(2) the uses of the special account funds established in such countries under section 105,

with respect to the impact of such uses and funds on enhancing food security in such countries and the financial management of those funds, with reference to personnel requirements to manage such funds.

(b) CONCESSIONAL CREDIT SALES PROGRAM.—Not later than 2 years after the date of enactment of this Act, and once every 3 years thereafter, the Comptroller General of the United States shall select five countries that receive assistance under section 107 that are representative of all countries in three geographic regions and evaluate the uses of the funds under section 109 in such countries with respect to the impact of such uses on agricultural trade development, and the financial management of those funds, with reference to personnel requirements to manage these funds.

(c) TITLE II PROGRAMS.—Not later than 2 years after the date of enactment of this Act, and once every 3 years thereafter, the Comptroller General of the United States shall select five countries that receive assistance under title II that are representative of all countries in three geographic regions and evaluate the uses of the assistance provided under such title, including an evaluation of the impact of such assistance on enhancing food security in such countries and an evaluation of the use of local currencies for economic development, as well as the financial management of those funds, with reference to personnel requirements to manage these funds.

(d) REPORT TO CONGRESS.—The Comptroller General of the United States shall prepare and submit, to the Committee on Foreign Affairs and the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate, a report concerning the evaluations made under this section.

SEC. 407. AUTHORIZATION OF APPROPRIATIONS.

(a) REIMBURSEMENT.—

(1) IN GENERAL.—There are authorized to be appropriated such sums as may be necessary to carry out this Act, including such amounts as may be required to make payments to the Commodity Credit Corporation to the extent the Commodity Credit Corporation is not reimbursed under titles I, II and III of this Act for its actual costs incurred or to be incurred in carrying out such titles.

(2) BUDGET.—In presenting the Budget of the United States, the President shall (except as provided in section 303) classify expenditures under this Act as expenditures for international affairs and finance rather than for agriculture and agricultural resources.

(b) VALUE OF COMMODITIES.—Notwithstanding any other provision of law, in determining the reimbursement due the Commodity Credit Corporation for all expenses incurred under this Act, commodities from the inventory of the Commodity Credit Corporation that were acquired under title I of the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) shall be valued at a price not greater than the export market price for such commodities, as determined by the Secretary, as of the time such commodity is made available under this Act.

(c) TRANSFER OF FUNDS.—Notwithstanding any other provision of law, if the President determines it to be necessary for purposes of this Act, the President may provide that not in excess of 15 percent of the amounts available in any fiscal year for carrying out any title of this Act may be used to carry out any other title of this Act.

(d) COMMODITIES MADE AVAILABLE UNDER SECTION 416.—The value of commodities made available through section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)) and provided under titles I, II or III, and any expenses incurred by the Commodity Credit Corporation in connection with the provision of such commodities, shall be in addition to the level of assistance provided under this Act and shall not be considered expenditures for international affairs and finance.

FOOD FOR PEACE ACT OF 1966

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[SEC. 4. (a) Commercial export sales of agricultural commodities out of private stocks on credit terms of not to exceed three years may be financed by the Commodity Credit Corporation under its export credit sales program. (7 U.S.C. 1707a(a).)

[(b)(1) Export sales of agricultural commodities out of Commodity Credit Corporation and private stocks on credit terms in excess of three years, but not more than ten years, may be financed by the Commodity Credit Corporation. In addition, the Corporation may guarantee the repayment of loans made to finance such sales. For the purpose of this paragraph, the term "agricultural commodities" include wood and processed wood products, as defined in section 1125(d) of the Food Security Act of 1985 (7 U.S.C. 1736t(d).)

[(2) No export sale may be financed, and no loan may be guaranteed, under this subsection unless the Secretary of Agriculture determines that the sale will—

[(A) develop, expand, or maintain the importing nation as a foreign market, on a long-term basis, for the commercial sale and export of United States agricultural commodities without displacing normal commercial sales;

[(B) otherwise improve the capability of the importing nation to purchase and use, on a long-term basis, United States agricultural commodities; or

[(C) otherwise promote the export of United States agricultural commodities.

[(3) The Secretary is encouraged, to the maximum extent practicable, to finance or guarantee the export sales of agricultural commodities under this subsection to purchasers from—

[(A) countries that are previous recipients of credit extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);

[(B) countries unable, as determined by the Secretary, to utilize other short-term export credit programs offered by the Secretary or the Commodity Credit Corporation; and

[(C) countries that are friendly countries, as defined in section 103(d) of such Act.

[(4) Consistent with the provisions of paragraph (2) of this subsection, intermediate credit financing or guarantees under this subsection may be made available for the following uses:

[(A) to establish reserve stock consistent with international commodity agreements or other stock building plans acceptable to the United States;

[(B) the export sale of breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations;

[(C) where determined feasible, for the establishment of facilities in the importing nation to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities (through the use of local currency generated from the import and sale of United States agricultural commodities to finance all or part of such facilities);

[(D) to meet competition for agricultural export sales;

[(E) to finance the importation of agricultural commodities by developing nations for use in meeting their food and fiber needs; and

[(F) otherwise to promote the export sales of agricultural commodities.

[(5) Intermediate credit financing or guarantees under this subsection may not be used for the purpose of foreign aid or debt rescheduling.

[(6)(A) The terms of credit for export sales financed under this subsection shall include the following terms:

[(i) Repayment shall be in dollars with interest at a rate, determined by the Secretary.

[(ii) The Secretary may, if the Secretary deems such action appropriate to protect the interests of the United States, require an initial payment from the purchaser at the time of sale or shipment of the agricultural commodity.

[(B) Contracts of guarantee under this subsection shall contain such terms and conditions as the Commodity Credit Corporation shall determine.

[(7) The Secretary shall, wherever feasible, obtain commitments from purchasers that will prevent resale or transshipment to other nations of agricultural commodities purchased with financing or guarantees provided under this subsection.

[(8) The provisions of the cargo preference laws shall not apply to export sales financed or guaranteed under this subsection.

[(9) The authority provided under this subsection shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law.

[(10) For purposes of guaranteeing export sales under this subsection, the Commodity Credit Corporation shall make available—

[(A) for each of the fiscal years ending September 30, 1986, through September 30, 1988, not less than $500,000,000; and

[(B) for each of the fiscal years ending September 30, 1989 and September 30, 1990, not more than $1,000,000,000. (7 U.S.C. 1707a(b).)

[(c) The term "agricultural commodity" as used in this section includes any agricultural commodity (including fish, without regard to whether such fish are harvested in aquacultural operations) or product thereof. (7 U.S.C. 1707a(c).)

[(d)(1) There is hereby established in the Treasury a revolving fund to be known as the Agricultural Export Credit Revolving Fund, which shall be available without fiscal year limitation for use by the the Commodity Credit Corporation (hereafter refered to in this subsection as the "Corporation") for financing in accordance with this section and section 5(f) of the Commodity Credit Corporation Charter Act the following—

[(A) commercial export sales of United States agricultural commodities out of private stocks or stocks owned or controlled by the Corporation on credit terms of not to exceed three years;

[(B) export sales of United States breeding animals (including, but not limited, to cattle, swine, sheep, and poultry, including the cost of the freight from the United States to designated points of entry in other nations; and

[(C) the establishment of facilities in importing countries to improve the capacity of such countries for handling, marketing, processing storing, or distributing fungible agricultural commodities produced in and exported from the United States (through the use of local currency generated from the sale of United States agricultural commodities).

[(2) The Corporaton shall use the revolving fund only to extend credit for purposes of market development and expansion and only where there is substantial potential for developing or enhancing regular commercial markets for United States agricultural commodities.

[(3) The Secretary of Agriculture shall ensure that the revolving fund is used in such a manner as to involve equitable use of the funds to finance sales to the greatest feasible number of countries consistent with maximizing market opportunities. In carrying out this objective, the Secretary shall establish procedures under which—

[(A) not less than 85 per centum of the estimated amount in the revolving fund for any fiscal year shall be made availble for the purposes provided in clause (A) of paragraph (1) of this subsection; and

[(B) not to exceed 25 per centum of the estimated amount in the revolving fund for any fiscal year shall be made available for the financing of credit sales to any one country for the purposes described in paragraph (1) of this subsection.

[(4) There are authorized to be appropriation to the Agricultural Export Credit Revolving Fund such sums as may be necessary to carry out the provisions of this subsection. All funds received by

the Corporation in payment for credit extended by the Corporation using the revolving fund, including interest or other receipts on investments and credit obligations, in financing export sales of the types specified in paragrpah (1) of this subsection shall be added to and become a part of such revolving fund.

[(5) The Secretary shall submit an annual report to Congress not later than December 1 of each year with respect to the use of the revolving fund in carrying out export credit sales by the Corporation in the previous fiscal year. Such report shall include, for the previous fiscal year, the names of the countries extended credit under this subsection, the total amount of such credit extended to each such country, the names of the United States exporters that received any such credit, the total amount of credit provided to each such exporter stated separately for each commodity for which the credit was extended, and a discussion and evaluation of the market development and expansion activities of the Corporation under this subsection during such fiscal year. The first such report shall be submitted to Congress not later than December 1, 1982.

[(6) The revolving fund created by this subsection is abolished effective October 1, 1990, and all unobligated money in such fund on September 30, 1990, shall be transferred to and become part of the miscellaneous receipts account of the Treasury.

[(7) The authoritty provided under this subsection shall be in addition to, and not in lieu of, any authority granted to the Secretary or the Corporation under any other provision of law.

[(8) The authority provided under this subsection to incur obligations to make loans shall be effective only to the extent that such obligations do not exceed annual limitations on new direct loan obligations which shall be provided in annual appropriations Act.]

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AGRICULTURAL TRADE ACT OF 1978

[TITLE I—INTERMEDIATE CREDIT

[SEC. 101. Section 4 of the Food for Peace Act of 1966 is amended to read as follows:

[COMMODITY CREDIT CORPORATION FINANCING OF DEFERRED PAYMENT SALES

[SEC. 201. (a) To develop new market opportunities for the sale of United States agricultural commodities and to maintain and expand existing foreign markets for such commodities, the Secretary of Agriculture may provide Commodity Credit Corporation financing to exporters of such commodities who wish to provide deferred payment terms to buyers in other nations in order to meet sales competition from other nations or to make additional export sales. Except as otherwise provided in section 202 of this title, financing under this section shall be available only with respect to sales to those nations that are eligible for financing under the short-term export credit sales program conducted by the Commodity Credit Corporation.

[(b) Exporters who are willing to sell United States agricultural commodities for foreign buyers on deferred payment terms of not to exceed three years and who must provide such deferred payment terms in order to meet sales competition from other nations, or to make additional exports sales, may apply to the Commodity Credit Corporation for financing such sales. Financing under this section shall not be provided by the Corporation until the applicant's export sales plan has been approved by the Corporation and the applicant has established to the satisfaction of the Corporation that exports have been made in accordance with the approved plan.

[(c) Repayment to the Commodity Credit Corporation shall be made in dollars by the exporter in accordance with the terms and at interest rates contained in the approved export sales plan. Interest rates on such financing shall be no higher than those charged for financing under the short-term export credit sales program conducted by the Corporation.

[(d) The Secretary may, if the Secretary deems such action appropriate to protect the interests of the United States, require a performance guarantee from the exporter at the time of the sale.

[(e) Financing agreements with exporters entered into under this section shall be subject to such other terms and conditions as the Secretary may deem necessary or appropriate and shall be subject only to review by the National Advisory Council on International Monetary and Financial Policies.

[(f) The authority provided under this section shall be in addition to and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law.

[CREDIT SALES TO THE PEOPLE'S REPUBLIC OF CHINA

[SEC. 202. Notwithstanding any other provision of law, in order to expand and develop markets for United States agricultural commodities, the Commodity Credit Corporation may provide financing for commercial sales of agricultural commodities out of private stocks on terms of not to exceed three years to the People's Republic of China under (1) the short-term export credit sales program conducted by the Corporation, and (2) the deferred payment sales program for exporters established under section 201 of this title.

[DEFINITION

[SEC. 203. The term "agricultural commodity" as used in this title includes any agricultural commodity or product thereof.

[TITLE III—AGRICULTURAL COUNSELORS

[SEC. 301. Title VI of the Act of August 28, 1954, as amended; is amended by—

[(1) amending the title designation to read as follows:

[(2) inserting immediately before section 601 the subtitle designation as follows:

[(3) in section 601, striking out "agricultural products" wherever that phrase appears therein and inserting in lieu thereof "agricultural commodities", and striking out "said products" and inserting in lieu thereof "such commodities";

[(4) in sections 602(a), 602(e), 604, and 605, striking out "this title" wherever that phrase appears therein and inserting in lieu thereof "this subtitle";

[(5) amending section 602(b) to read as follows:

[(6) adding at the end of section 604 a new subsection (c) as follows:

[TITLE IV—ESTABLISHMENT OF UNITED STATES AGRICULTURAL TRADE OFFICES

[SEC. 401. Title VI of the Act of August 28, 1954, as amended by title III of this Act, is further amended by—

[(1) adding immediately after section 605 a new subtitle B as follows:

[(2) redesignating section 606 as section 606A and inserting immediately after new section 605G, as added by this section, the subtitle designation and new section 606 as follows:

[(3) redesignating sections 602(d), 602(f), and 603 as sections 606B, 606C, and 606D, respectively, and inserting the redesignated sections immediately after section 606A, as redesignated by paragraph (2) of this section;

[TITLE V—REORGANIZATION

[SEC. 501. (a) There is hereby established in the Department of Agriculture the position of Under Secretary of Agriculture for International Affairs and Commodity Programs to be appointed by the President, by and with the advice and consent of the Senate. The Under Secretary of Agriculture for International Affairs and Commodity Programs is authorized to exercise such functions and perform such duties related to foreign agriculture and agricultural stabilization and conservation, and shall perform such other duties, as may be required by law or prescribed by the Secretary of Agriculture.

[(b) Section 5314 of title 5 of the United States Code is amended by adding at the end thereof a new paragraph (69) as follows:

[(c) The designation of "Assistant Secretary of Agriculture for International Affairs and Commodity Programs" shall not be used after the date of enactment of this Act.

[TITLE VI—GENERAL PROVISIONS AND REPORTS

[IMPLEMENTATION OF THIS ACT; REGULATIONS

[SEC. 601. (a) The Secretary of Agriculture shall implement the provisions of this Act as expeditiously as possible consistent with the efficient and effective administration of the programs established under this Act and their integration with related foreign agricultural programs.

[(b) The Secretary may issue such regulations as may be necessary to carry out the provisions of this Act. (7 U.S.C. 1761 note.)

[ANNUAL REPORT ON EXPORT PROMOTION

[SEC. 602. The Secretary of Agriculture shall submit to Congress each year a report providing a comprehensive statement of the activities and accomplishments of the Department of Agriculture, in-

cluding specifically those of the United States Agricultural Trade Offices, in developing, maintaining, and expanding foreign markets for United States agricultural commodities. (7 U.S.C. 1765b–1.)

[INTERAGENCY TASK FORCE ON EXPORT SALES REPORTING

[SEC. 603. The Secretary of Agriculture shall appoint an interagency task force within the Department of Agriculture for the purpose of analyzing the effectiveness of the export sales reporting provisions of section 812 of the Agricultural Act of 1970. The Secretary shall submit, not later than Junuary 3, 1979, a report to the findings of the task force, including legislative recommendations for improving such reporting provisions, to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives.

[REPORT ON TITLE IV OF THE TRADE ACT OF 1974

[SEC. 604. Within six months after the date of enactment of this Act, the Secretary of Agriculture shall submit to Congress a report detailing the effect on United States agriculture of title IV of the Trade Act of 1974, including a recommendation as to whether the provisions of such title should be replaced or amended.]

SECTION 1. SHORT TITLE.

This Act may be cited as the "Agricultural Trade Act of 1978".

TITLE I—AGRICULTURAL TRADE POLICY

Subtitle A—Purpose and Definitions

SEC. 101. AGRICULTURAL TRADE POLICY OF THE UNITED STATES.

It is the policy of the United States—

(1) to provide, through all possible means, agricultural commodities and products for export at competitive prices, with full assurancae of quality and reliability of supply;

(2) to provide food assistance to needy countries;

(3) to support the principle of free trade and the promotion of fair trade in agricultural commodities and products;

(4) to aggressively counter unfair foreign trade practices using all available means, including export promotion programs and, if necessary, restrictions on United States imports of foreign agricultural commodities and products as a means to encourage fairer trade;

(5) to remove foreign policy constraints to maximize United States economic interests through agricultural trade; and

(6) to provide for increased representation of United States agricultural trade interests in the formulation of national fiscal and monetary policy affecting trade.

SEC. 102. PURPOSE.

It is the purpose of this Act to increase the profitability of farming and to increase opportunities for United States farms and agricultural enterprises by—

(1) increasing the effectiveness of the Department of Agriculture in agricultural trade policy formulation and implementation;

(2) improving the competitiveness of United States agricultural commodities and products in the world market; and

(3) providing for the coordination and efficient implementation of all agricultural trade programs.

SEC. 103. DEFINITIONS.

As used in this Act:

(1) AGRICULTURAL COMMODITY.—The term "agricultural commodity" includes any agricultural commodity or product thereof produced in the United States, wood or processed wood products, fish or livestock or value-added, fortified, or high-value agricultural products.

(2) DEVELOPING COUNTRIES.—The term "developing country" means a country that—

(A) has a shortage of foreign exchange earnings and has difficulty accessing sufficient commercial credit to meet all of its food needs, as determined by the Secretary; and

(B) has the potential to become a commercial market for United States agricultural commodities.

(3) SECRETARY.—The term "Secretary" means the Secretary of the United States Department of Agriculture.

(4) SERVICE.—The term "Service" means the Foreign Agricultural Service of the Department of Agriculture.

(5) UNFAIR TRADE PRACTICE.—The term "unfair trade practice" includes any act, policy, or practice of a foreign country that is unreasonable or discriminatory and burdens or restricts United States agricultural exports, including—

(A) export subsidies, including—

(i) the provision by governments of direct subsidies to an individual, firm, or industry contingent on export performance;

(ii) currency retention schemes or any similar practices that involve a bonus on exports;

(iii) internal transport and freight charges on export shipments, provided or mandated by governments, on terms more favorable than for domestic shipments; and

(iv) tax rebates on exports;

(B) furnishing or ensuring the availability of raw materials to domestic processing operations at artificially low prices, including—

(i) the maintenance of export taxes, duties, or charges on products that are used as inputs for the production of secondary products at levels that are higher than that levied on the secondary products;

(ii) any other differential export tax or duty exemption;

(iii) domestic consumption quotas; and

(iv) the assumption of costs or expenses of production, processing, or distribution by the government;

(C) financial assistance on preferential terms;

(D) variable levies or restrictive licensing practices; and

(E) discriminatory pricing policies of marketing boards and State trading agencies that are solely responsible for

the policies concerning all pricing, or the pricing of certain classes of items, within a country.

An act, policy or practice is "unreasonable" if the act, policy, or practice, while not necessarily in violation of, or inconsistent with, the international legal rights of the United States, is otherwise unfair and inequitable.

Subtitle B—Program Implementation

SEC. 110. LONG-TERM AGRICULTURAL TRADE STRATEGY.

(a) IN GENERAL.—

(1) DEVELOPMENT OF MULTI-YEAR STRATEGY.—The Secretary shall develop a long-term agricultural trade strategy for the United States to guide the Secretary in the implementation of agricultural trade programs of the United States under this Act, the Agricultural Trade Development and Assistance Act of 1954, and any other Act.

(2) GOALS.—The long-term agricultural trade strategy established under paragraph (1) shall be designed to ensure—

(A) the efficient, coordinated use of United States agricultural trade programs;

(B) the improvement in the commercial potential of developing country agricultural markets;

(C) the provision of food assistance to needy countries;

(D) the growth of United States agricultural exports; and

(E) the maintenance of traditional markets for United States agricultural commodities.

(b) COMPONENTS.—In developing the long-term agricultural trade strategy under subsection (a), the Secretary shall—

(1) establish long-term agricultural trade goals under section 111;

(2) identify priority markets for the export of United States agricultural commodities under section 112; and

(3) establish specific market plans for each of the priority markets established under section 112.

(c) REQUIREMENTS.—In developing the long-term agricultural trade strategy under subsection (a), the Secretary shall—

(1) consult with the United States Trade Representative, the Secretary of State, the Administrator of the Agency for International Development, and the Agricultural Policy Advisory Committee established pursuant to section 135 of the Trade Act of 1974 (19 U.S.C. 2155);

(2) consider the effects of exchange rate fluctuations and unfair trading practices on the competitiveness and availability of United States agricultural exports;

(3) develop strategies that seek to encourage the commercialization of foreign markets for United States agricultural commodities;

(4) consider the food needs of foreign countries that depend on the United States for food assistance;

(5) develop strategies designed to make the United States a primary and dependable supplier of agricultural commodities on the world market;

(6) consider transportation and shipping factors;

(7) consider the differences in the markets of developed and developing countries (including the debt load of particular countries) and develop the means to increase United States agricultural exports in such markets;

(8) develop multi-year plans for the implementation of the export assistance programs and food assistance programs established under this Act, the Agricultural Trade Development and Assistance Act of 1954, and other Acts;

(9) provide for public comment on the development of the long-term agricultural trade strategy; and

(10) consider such other factors as the Secretary determines appropriate.

(d) TIME.—The Secretary shall develop a long-term agricultural trade strategy under subsection (a) at least once every 3 years and may annually revise such long-term strategy.

SEC. 111. LONG-TERM AGRICULTURAL TRADE GOALS.

(a) IN GENERAL.—The Secretary shall develop agricultural trade goals with respect to the desired levels of United States agricultural exports and market shares over a period of not less than 3 years.

(b) REQUIREMENTS.—The long-term agricultural trade goals established under subsection (a) shall include—

(1) as appropriate, the agricultural trade goals for total agricultural commodities over a period of not less than 3 years;

(2) as appropriate, the agricultural trade goals for certain specified agricultural commodities over a period of not less than 3 years;

(3) as appropriate, the agricultural trade goals for high-value, processed agricultural commodities over a period of not less than 3 years;

(4) the desired levels of expenditures on agricultural export programs; and

(5) any other statement of trade goals that the Secretary determines appropriate.

SEC. 112. ESTABLISHMENT OF PRIORITY MARKETS.

(a) DESIGNATION OF GROWTH MARKETS.—The Secretary shall establish a list of not less than 15 countries (or groups of countries) that are most likely to emerge as growth markets for United States agricultural commodities within the 5- and 10-year periods following the development of a long-term agricultural trade strategy under this subtitle.

(b) DEVELOPING COUNTRIES.—Not less than 5 of the countries identified on the list developed under subsection (a) shall be developing countries.

(c) DESIGNATION AS PRIORITY MARKETS.—Countries identified on the list developed under subsection (a) shall be designated as priority markets for the use of United States agricultural export programs (other than those programs designed to provide food assistance and those programs under title III that are designed to combat unfair trade practices).

(d) TARGETING OF AGRICULTURAL TRADE PROGRAMS.—The Secretary shall place a priority on the development of agricultural markets, though the use of agricultural trade programs and through

other means, in those countries designated as priority markets under subsection (c) in accordance with the individual market plans established under section 113 and in accordance with the long-term agricultural trade goals developed under section 111.

SEC. 113. ESTABLISHMENT OF MARKET PLANS.

(a) IN GENERAL.—The Secretary shall develop individual market plans for each country (or groups of countries) designated as a priority market under section 112.

(b) CONTENTS.—An individual market plan developed under subsection (a) shall contain—

(1) specific plans for the use of United States agricultural trade programs to assist United States exports and market development in the specific country; and

(2) the agricultural trade goals for the United States for that country over a period of not less than 3 years.

(c) INDIVIDUAL MARKET GOALS.—

(1) PRIMARILY COMMERCIAL MARKETS.—With respect to markets that have strong commercial potential, the individual market plan developed under subsection (a) for a country shall be designed to increase exports of United States agricultural commodities in that country.

(2) HEAVILY SUBSIDIZED MARKETS.—With respect to markets in which United States exporters face unfair trade practices of other competing countries, the individual market plan developed under subsection (a) for a country shall be designed to directly combat such unfair trade practices and should result in either increased agricultural trade expenditures by the targeted competitor in such market or in a decrease in the market share or the exports of the targeted competitor in that market.

(3) MARKETS THAT ARE PRIMARILY CONCESSIONAL.—With respect to markets that are primarily concessional and are the recipients of assistance under the Agricultural Trade Development and Assistance Act of 1954, the individual market plan developed under subsection (a) for a country shall be designed to increase United States agricultural exports to such country by increasing over time, the amount of United States agricultural exports moving through commercial channels and under other export programs established in this Act, and to decrease steadily the amount of food and developmental assistance necessary under the Agricultural Trade Development and Assistance Act of 1954.

SEC. 114. REVIEW.

(a) FREQUENCY OF REVIEW.—Not less than once every 3 years, the Secretary shall review the agricultural trade performance of the United States based on the long-term agricultural trade strategy and trade goals developed by the Secretary under this subtitle.

(b) CONTENT OF REVIEW.—In conducting the review under subsection (a), the Secretary shall—

(1) determine whether and to what extent individual market plans were successfully implemented during the 3-year period for which the review is being conducted;

(2) determine whether the use of certain agricultural trade programs resulted in agricultural exports or increased agricul-

tural exports or market share on the priority markets during the 3-year period for which the review is being conducted;

(3) determine whether the use of agricultural trade programs to combat unfair trade practices has attained the established trade goals developed under this Act during the 3-year period for which the review is being conducted;

(4) determine the degree to which the long-term agricultural trade goals developed under this Act were reached during the 3-year period for which the review is being conducted;

(5) conduct a country-by-country analysis of expenditures made under agricultural trade programs (under this Act, the Agricultural Trade Development and Assistance Act of 1954, and any other Act) and the export performance of the United States in such market during the 3-year period for which the review is being conducted; and

(6) evaluate whether revisions in the long-term agricultural trade strategy, goals, or market plans developed under this Act or in agricultural trade programs are necessary to help meet the purposes of this Act.

SEC. 115. PRESERVATION OF TRADITIONAL MARKETS.

Notwithstanding any other provision of this Act, the Secretary shall, in implementing the provisions of this Act, seek to preserve traditional markets for United States agricultural commodities.

TITLE II—AGRICULTURAL EXPORT PROGRAMS

Subtitle A—Export Assistance Programs

SEC. 201. DIRECT CREDIT SALES PROGRAM.

(a) SHORT-TERM PROGRAM.—To promote the sale of agricultural commodities the Commodity Credit Corporation may finance the commercial export sale of such commodities from privately owned stocks on credit terms for not to exceed a 3-year period.

(b) INTERMEDIATE-TERM PROGRAM.—Subject to subsection (c), to promote the sale of agricultural commodities the Commodity Credit Corporation may finance the commercial export sales of agricultural commodities from privately owned stocks on credit terms for a period of not less than 3 years nor in excess of 10 years.

(c) DETERMINATIONS.—The Commodity Credit Corporation shall not finance an export sale under subsection (b) unless the Secretary determines that such sale will—

(1) develop, expand, or maintain the importing country as a foreign market, on a long-term basis, for the commercial sale and export of United States agricultural commodities, without displacing normal commercial sales;

(2) improve the capability of the importing country to purchase and use, on a long-term basis, United States agricultural commodities; or

(3) otherwise promote the export of United States agricultural commodities.

(d) USE OF PROGRAM.—

(1) GENERAL USES.—The Commodity Credit Corporation may use export sales financing authorized under this section—

(A) to increase exports of agricultural commodities;

(B) to compete against United States agricultural export competitors for agricultural export sales;

(C) to assist countries, particularly developing countries, in meeting their food and fiber needs; and

(D) for such other purposes as the Secretary determines appropriate consistent with the provisions of subsection (c).

(2) COST OF FREIGHT.—The Commodity Credit Corporation may include the cost of freight from the United States to designated points of entry in other countries in any sale financed under this section.

(3) GENERAL RESTRICTIONS.—Export sales financing authorized under this section shall not be used for foreign aid or debt rescheduling purposes. The provisions of the cargo preference laws shall not apply to export sales financed under this section.

(e) TERMS OF CREDIT ASSISTANCE.—Any contract for the financing of exports by the Commodity Credit Corporation under this section shall include—

(1) a requirement that repayment shall be made in dollars with interest accruing thereon as determined appropriate by the Secretary; and

(2) a requirement, if the Secretary determines such requirement appropriate to protect the interests of the United States, that an initial payment be made by the purchaser at the time of sale or shipment of the agricultural commodity that is subject to the contract.

(f) PROHIBITION OF RESALE OR TRANSSHIPMENT.—The Commodity Credit Corporation shall, where feasible, obtain commitments from purchasers of commodities under subsection (b) that such purchasers will prevent the resale or transshipment of such commodities to other countries.

SEC. 202. EXPORT CREDIT GUARANTEE PROGRAM.

(a) SHORT-TERM CREDIT GUARANTEES.—The Commodity Credit Corporation may guarantee the repayment of loans made by financial institutions in the United States to finance commercial export sales of agricultural commodities from privately owned stocks on credit terms that do not exceed a 3-year period.

(b) INTERMEDIATE-TERM CREDIT GUARANTEES.—Subject to the provisions of subsection (c), the Commodity Credit Corporation may guarantee the repayment of loans made by financial institutions in the United States to finance commercial export sales of agricultural commodities from privately owned stocks on credit terms that are for not less than a 3-year period nor for more than a 10-year period.

(c) REQUIRED DETERMINATIONS.—The Commodity Credit Corporation shall not guarantee under subsection (b) the repayment of a loan made to finance an export sale unless the Secretary determines that such sale will—

(1) develop, expand, or maintain the importing country as a foreign market, on a long-term basis, for the commercial sale and export of United States agricultural commodities, without displacing normal commercial sales;

(2) improve the capability of the importing country to purchase and use, on a long-term basis, United States agricultural commodities; or

(3) otherwise promote the export of United States agricultural commodities.

(d) PURPOSE OF PROGRAM.—The Commodity Credit Corporation may use export credit guarantees authorized under this section—

(1) to increase exports of agricultural commodities;

(2) to compete against United States agricultural export competitors for agricultural export sales;

(3) to assist countries, particularly developing countries, in meeting their food and fiber needs; and

(4) for such other purposes as the Secretary determines appropriate consistent with the provisions of subsection (c).

(e) COST OF FREIGHT.—The Commodity Credit Corporation may include the cost of freight from the United States to designated points of entry in other countries in any sale guaranteed under this section.

(f) RESTRICTIONS ON USE OF CREDIT GUARANTEES.—Export credit guarantees provided under this section shall not be used for foreign aid or debt rescheduling purposes. The provisons of the cargo preference laws shall not apply to export sales guaranteed under this section.

(g) RESTRICTIONS.—The Commodity Credit Corporation shall not make credit guarantees available to any country that the Secretary determines cannot adequately service the debt associated with such guarantee.

(h) TERMS.—Contracts of guarantee entered into under this section shall contain such terms and conditions as the Commodity Credit Corporation determines to be necessary.

(i) PROHIBITION ON RESALE OR TRANSSHIPMENT.—The Commodity Credit Corporation shall, wherever feasible, obtain a certification from purchasers that such purchasers will prevent the resale or transshipment of the commodities that are subject to the contract of guarantee issued under subsection (b) to other countries.

(j) ELIGIBLITY OF CERTAIN COMMODITIES.—

(1) DOMESTIC CONTENT REQUIREMENT.—Except as provided in paragraphs (2) and (3), export sales of United States agricultural commodities shall be eligible for short or intermediate-term export credit guarantees under this section if not less than 90 percent of the value of such commodity is derived from agricultural commodities produced in the United States.

(2) INABILITY TO MONITOR.—The Commodity Credit Corporation may require that any export of United States agricultural commodities shall be composed entirely of commodities produced within the United States and with goods from the United States, to enable such export to be eligible for short- or intermediate-term export credit guarantees under this section, if the Commodity Credit Corporation determines that it is not practicable to monitor the export of such commodity to determine the percentage of domestic content of such agricultural commodity as a result of—

(A) the export commodity being a bulk commodity that is not commonly stored in a manner that will enable the Cor-

poration to determine the domestic content of the product because of the blending of the commodities with commodities produced outside the United States;

(B) the export commodity being a blend of commodities produced both in and outside of the United States through a procedure that does not make the percentage of domestic content of such product easily verifiable; or

(C) the determination, by the Commodity Credit Corporation, that the domestic content of the export commodity or of a particular type of export commodity is not practicable to verify.

(3) LIMITATION OF PERCENTAGE COVERED BY GUARANTEE.—An export credit guarantee made available with respect to the export of an agricultural commodity that is not composed of commodities produced entirely in the United States shall not cover any portion of the exported commodity that was derived from agricultural commodities produced outside the United States.

(k) INELIGIBILITY OF FINANCIAL INSTITUTIONS.—A financial institution shall be ineligible to receive an assignment of letters of credit guaranteed by the Commodity Credit Corporation under this section if it is determined by the Corporation that such financial institution—

(1) is not in a sound fiscal condition;

(2) does not have sufficient experience in transactions of the type being guaranteed by the Commodity Credit Corporation; or

(3) is—

(A) a branch, agency, subsidiary, or home office of the foreign financial institution issuing the letter of credit; or

(B) a branch, agency or subsidiary of any other financial institution headquartered in the same country as the foreign financial institution issuing the letter of credit.

(l) ARRIVAL OF COMMODITIES.—The Commodity Credit Corporation shall establish procedures providing for the annual audit of a number of export transactions under this section to ensure that the agricultural commodities that were the subject of such transactions arrived in the country of destination as provided in the sales agreement.

(m) FRAUD.—No export credit guarantee issued under this section shall be valid with respect to any exporter or assignee who had knowledge of any scheme to misuse any such credit guarantee or to misappropriate any agricultural commodities the sale of which was subject to such guarantee, as determined by the Secretary.

SEC. 203. DEFERRED PAYMENT SALES.

(a) IN GENERAL.—The Secretary may provide financing through the Commodity Credit Corporation to exporters of United States agricultural commodities that desire to provide deferred payment terms to purchasers in other countries to meet sales competition from other countries or to make additional export sales.

(b) AVAILABILITY OF FINANCING.—Financing shall be available under this section only with respet to export sales to those countries that are eligible for financing under the short-term export credit sales program established under section 201(a).

(c) ELIGIBILITY FOR FINANCING.—To be eligible to receive financing assistance under this section, the United States exporter shall—

(1) enter into a contract to export United States agricultural commodities to a foreign country on deferred payment terms that shall not exceed a 3-year period;

(2) provide the deferred payment terms referred to in paragraph (1);

(3) establish to the satisfaction of the Commodity Credit Corporation that the exporter is providing such deferred payment terms in order to meet sales competition from other countries or to make additional export sales;

(4) submit, for approval by the Commodity Credit Corporation, an export sales plan;

(5) provide assurances, to the satisfaction of the Commodity Credit Corporation, that exports have been made in accordance with an approved plan under paragraph (4); and

(6) comply with any other items and conditions determined by the Corporation to be necessary.

(d) TERMS OF REPAYMENT.—

(1) REPAYMENT IN DOLLARS.—Payments to the Commodity Credit Corporation under contracts entered into under this section shall be made in dollars by the exporter in accordance with the terms and at interest rates contained in the approved export sales plan under subsection (c).

(2) INTEREST.—Interest rates under paragraph (1) shall not exceed those charged for financing under the short-term export credit sales program established under section 201(a).

(e) PERFORMANCE GUARANTEE.—The Commodity Credit Corporation may, if the Corporation determines such action appropriate to protect the interests of the United States, require a performance guarantee from the exporter at the time of the export sale.

(f) REVIEW.—Financing agreements entered into under this section shall be subject to such other terms and conditions as the Commodity Credit Corporation determines necessary or appropriate and shall be subject only to review by the National Advisory Council on International Monetary and Financial Policies.

(g) USE OF COMMODITY CREDIT CORPORATION.—The funds, facilities, and authorities of the Commodity Credit Corporation may be used in carrying out this section.

(h) EFFECT ON COMMODITY CREDIT CORPORATION.—The authority provided under this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law.

SEC. 204. MARKETING ASSISTANCE PROGRAM.

(a) IN GENERAL.—The Secretary may establish and carry out a program to encourage the development, maintenance, and expansion of commercial export markets for United States agricultural commodities through the provision of cost-share assistance to United States organizations that implement a market development program in a foreign country.

(b) TYPE OF ASSISTANCE.—Cost share assistance under this section may be provided in the form of funds of, or commodities owned by,

the Commodity Credit Corporation, as determined appropriate by the Secretary.

(c) REQUIREMENTS FOR PARTICIPATION.—

(1) IN GENERAL.—To be eligible for cost-share assistance under this section, a United States organization shall—

(A) be an eligible trade organization;

(B) prepare and submit a marketing plan to the Secretary that meets the guidelines governing such plans established by the Secretary; and

(C) meet any other requirements established by the Secretary.

(2) PROVISIONS OF ASSISTANCE.—

(A) VIABLE MARKETS.—Funds or commodities shall be made available for use under this section only in connection with marketing plans developed for foreign countries that are, or have the potential to be, viable commercial markets for United States agricultural commodities, the export of which would have a significant positive effect on farmgate agricultural commodity values and on financial returns to farmers.

(B) PRIORITY BASIS FOR EXPORT ASSISTANCE.—The Secretary shall provide export assistance under this section on a priority basis—

(i) in the case of agricultural commodities with respect to which there has been an affirmative determination under section 301 of the Trade Act of 1974 (19 U.S.C. 2411);

(ii) in the case of agricultural commodities for which exports have been adversely affected, as defined by the Secretary, through retaliatory actions related to an affirmative determination under section 301 of the Trade Act of 1974 (19 U.S.C. 2411);

(iii) to counter or offset the adverse effect on the export of a United States agricultural commodity of an unfair trade practice of a foreign country; or

(iv) to promote the sale of commodities and value-added, fortified, or high-value agricultural products in countries eligible for assistance under section 301 of the Agricultural Trade Development and Assistance Act of 1954, especially countries in Eastern Europe.

(d) ELIGIBLE TRADE ORGANIZATIONS.—An eligible trade organization shall be—

(1) a United States agricultural trade organization or regional State-related organization that is formed to promote the export and sale of agricultural commodities and that does not stand to profit directly from specific sales of agricultural commodities;

(2) a United States cooperative organization or State agency that promotes the sale of agricultural commodities; or

(3) a private organization that promotes the export and sale of agricultural commodities if the Administrator determines that such organization would significantly contribute to United States export market development.

(e) APPROVED MARKETING PLAN.—

(1) IN GENERAL.—A marketing plan submitted by an eligible trade organization under this section shall describe the advertising or other marketing-oriented export promotion plan to be carried out by the eligible trade organization with respect to which cost-share assistance under this section is being requested.

(2) REQUIREMENTS.—To be approved by the Secretary, a marketing plan submitted under this subsection shall—

(A) specifically describe the manner in which assistance received by the eligible trade organization under this section will be expended in implementing the marketing plan;

(B) specifically describe in manner in which funds provided by the eligible trade organization will be expended in implementing the marketing plan;

(C) establish specific market goals to be achieved as a result of the marketing promotion program; and

(D) contain whatever additional requirements are determined by the Secretary to be necessary.

(3) AMENDMENTS.—A marketing plan may be amended by the eligible trade organization at any time, with the approval of the Secretary.

(4) BRANDED PROMOTION.—An agreement entered into under this section may provide for the use of branded advertising to promote the sale of agricultural commodities in a foreign country under such terms and conditions as may be established by the Secretary.

(f) DURATION OF COST-SHARE ASSISTANCE.—

(1) ONE- TO THREE-YEAR BASIS.—The Secretary may provide assistance under this section on a 1- to 3-year basis, subject to annual reviews for compliance with the approved marketing plan by the Secretary.

(2) REQUIREMENTS FOR MULTI-YEAR ASSISTANCE.—To be eligible to receive multi-year assistance under this section, an eligible trade organization shall—

(A) establish, to the satisfaction of the Secretary, that multi-year funding is necessary to implement a successful marketing promotion program; and

(B) prepare and submit a marketing promotion plan that specifically describes the manner in which assistance under this section will be used on a multi-year basis.

(g) OTHER TERMS AND CONDITIONS.—

(1) TERMINATION OF ASSISTANCE.—The Secretary may terminate any assistance made, or to be made, available under this section if the Secretary determines that—

(A) the eligible trade organization is not adhering to the terms and conditions of the program established under this section;

(B) the eligible trade organization is not implementing the approved marketing plan or is not adequately meeting the established goals of the marketing promotion program;

(C) the eligible trade organization is not adequately contributing its own resources to the marketing promotion program;

(D) the unfair trade practice that was the basis of the provision of assistance has been stopped and marketing assistance is no longer required to offset its effects; or

(E) the Secretary determines that termination of assistance in a particular instance is in the best interests of the program.

(2) AVAILABILITY OF RECORDS.—An eligible trade organization that receives assistance under this section shall maintain all records concerning the use of assistance under this program for a period of 5 years and shall permit the Secretary to have full and complete access to the financial records of the organization relating to the use of assistance under this program while such organization is a participant in this program and for a period of 5 years thereafter.

(3) LEVEL OF COST SHARE ASSISTANCE.—Cost share assistance provided under this section to private organizations as described in subsection (d)(3) shall not exceed 50 percent of the cost of implementing the marketing plan.

(h) USE OF COMMODITY CREDIT CORPORATION.—The Secretary may use the funds, facilities, and authorities of the Commodity Credit Corporation in carrying out the provisions of this section.

SEC. 205. BARTER OF AGRICULTURAL COMMODITIES.

(a) IN GENERAL.—The Secretary or the Commodity Credit Corporation may provide eligible commodities in barter for foreign products under such terms and conditions as the Secretary of the Corporation shall prescribe.

(b) ELIGIBLE COMMODITIES.—Unless otherwise specified, eligible commodities shall include—

(1) agricultural commodities acquired by the Commodity Credit Corporation through price support operations; and

(2) agricultural commodities acquired by the Secretary or the Commodity Credit Corporation in the normal course of business and available for disposition.

(c) BARTER BY U.S. EXPORTERS OF AGRICULTURAL COMMODITIES.—

(1) PURPOSE.—The Secretary or the Commodity Credit Corporation shall encourage United States exporters of agricultural commodities to barter such commodities for foreign products—

(A) to acquire such foreign products needed by such exporters; and

(B) to develop, maintain, or expand foreign markets for United States agricultural exports.

(2) ELIGIBLE ACTIVITIES.—The Secretary of the Commodity Credit Corporation may provide eligible commodities to United States exporters to assist such exporters in barter transactions.

(3) TECHNICAL ASSISTANCE.—The Secretary or the Commodity Credit Corporation shall provide technical advice and assistance relating to the barter of agricultural commodities to any United States exporter who requests such advise or assistance.

(d) TRANSFER OF FOREIGN PRODUCTS TO OTHER GOVERNMENT AGENCY OR PRIVATE PARTIES.—The Secretary or the Commodity Credit Corporation may transfer any foreign products that the Secretary or such Corporation obtains through barter activities to other government agencies if the Corporation receives assurances that it

will receive full reimbursement from the agency within the same fiscal year in which such transfer occurs.

(e) CORPORATION AUTHORITY NOT LIMITED.—Nothing contained in this section shall limit the authority of the Commodity Credit Corporation to acquire, hold, or dispose of such foreign materials as such Corporation determines appropriate in carrying out the functions and protecting the assets of the Corporation.

(f) PROHIBITED ACTIVITIES.—The Secretary or the Commodity Credit Corporation shall take reasonable precautions to prevent the misuse of eligible commodities in a barter or exchange program, including activities that—

(1) displace or interfere with commercial sales of United States agricultural commodities that otherwise might be made;

(2) unduly disrupt world prices of agricultural commodities or the normal patterns of commercial trade with recipient countries; or

(3) permit the resale or transshipment of eligible commodities to countries other than the intended recipient country.

SEC. 206. AGRICULTURAL CREDIT REVOLVING FUND.

(a) ESTABLISHMENT.—The revolving fund known as the Agricultural Export Credit Revolving Fund established under section 4(d) of the Food for Peace Act of 1966 (as such section existed prior to the date of enactment of this Act), shall be available without fiscal year limitation for use by the Commodity Credit Corporation (hereinafter referred to in this section as the "Corporation") for financing, in accordance with this section and section 714c(f) of title 15, United States Code—

(1) commercial export sales of United States agricultural commodities out of private stocks or stocks owned or controlled by the Corporation on credit terms of not to exceed a 3-year period;

(2) export sales of United States breeding animals (including, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations; and

(3) the establishment of facilities in importing countries to improve the capacity of such countries for handling, marketing, processing, storing, or distributing fungible agricultural commodities produced in and exported from the United States (through the use of local currency generated from the sale of United States agricultural commodities).

(b) USE.—The Corporation shall use the revolving fund described in subsection (a) only to extend credit for purposes of market development and expansion and only where there is substantial potential for developing or enhancing regular commercial markets for United States agricultural commodities.

(c) MARKETING OPPORTUNITIES.—The Secretary shall ensure that the revolving fund described in subsection (a) is used in such a manner as to involve the equitable use of the funds to finance sales to the greatest feasible number of countries consistent with maximizing market opportunities. In carrying out this objective, the Secretary shall estabish procedures under which—

(1) not less than 85 percent of the estimated amount in the revolving fund for any fiscal year shall be made available for the purposes described in paragraph (1) of subsection (a); and

(2) not to exceed 25 percent of the estimated amount in the revolving fund for any fiscal year shall be made available for the financing of credit sales to any one country for the purposes described in subsection (a).

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Agricultural Export Credit Revolving Fund such sums as may be necessary to carry out the provisions of this section. All funds received by the Corporation in payment for credit extended by the Corporation using such revolving fund, including interest or other receipts on investments and credit obligations, in financing export sales of the types specified in subsection (a) shall be added to and become a part of such revolving fund.

(e) TERMINATION.—Effective October 1, 1995, the revolving fund described in subsection (a) shall be abolished and all unobligated money in such fund on September 30, 1995, shall be transferred to and become part of the miscellaneous receipts account of the Treasury.

(f) AUTHORITY.—The authority provided under this section shall be in addition to, and not in lieu of, any authority granted to the Secretary or the Corporation under any other provision of law.

(g) LIMITATIONS.—The authority provided under this section to incur obligations to make loans shall be effective only to the extent that such obligations do not exceed annual limitations on new direct loan obligations which shall be provided in annual appropriations Acts.

SEC. 207. COMBINATION OF PROGRAMS.

(a) FAILURE TO MEET FINANCIAL QUALIFICATIONS.—If a country does not not meet the financial qualifications for participation in the export programs established under sections 201 or 202, the Secretary may provide agricultural commodities to such country under section 302 to the extent necessary to reduce the cost to such country of purchasing United States agricultural commodities and to make it possible for such country to meet such qualifications.

(b) REVIEW.—The Secretary shall review and adjust annually the quantity of commodities provided to a country under subsection (a) to encourage such country to place greater reliance on the increased use of commercial trade to meet the qualifications referred to in subsection (a).

(c) COMBINED CREDIT PROGRAMS.—The Commodity Credit Corporation may carry out a program under which commercial export credit guarantees available under section 202 are combined with direct credits from the Commodity Credit Corporation under section 201 to reduce the effective rate of interest on export sales of agricultural commodities.

Subtitle B—Implementation

SEC. 211. FUNDING LEVELS.

(a) DIRECT CREDIT PROGRAMS.—The Commodity Credit Corporation may make available for each fiscal year such funds of the Com-

modity Credit Corporation as it determines necessary to carry out any direct credit program established under section 201.

(b) EXPORT CREDIT GUARANTEE PROGRAMS.—

(1) SHORT-TERM GUARANTEES.—

(A) MINIMUM AMOUNTS.—The Commodity Credit Corporation shall make available for each of the fiscal years 1991 through 1995, not less than $5,000,000,000 in credit guarantees under section 202(a) to extend short-term credit to finance the export sales of United States agricultural commodities.

(B) LIMITATION ON ORIGINATION FEE.—Notwithstanding any other provision of law, the Secretary may not charge an origination fee with respect to any credit guarantee transaction under section 202(a) in excess of an amount equal to one percent of the amount of credit extended under the transaction.

(2) INTERMEDIATE-TERM CREDIT GUARANTEES.—The Commodity Credit Corporation shall make available for each of the fiscal years 1991 through 1995, not less than $500,000,000 in credit guarantees under section 202(b) to extend intermediate-term credit to finance the export sales of United States agricultural commodities.

(c) MARKETING ASSISTANCE PROGRAMS.—The Commodity Credit Corporation or the Secretary shall make available for market promotion activities authorized to be carried out by the Commodity Credit Corporation under section 204—

(1) in addition to any funds that may be specifically appropriated to implement a market development program, not less than $225,000,000 nor more than $325,000,000 of the funds, of or an equal value of commodities owned by, the Commodity Credit Corporation; and

(2) any funds that may be specifically appropriated to carry out a marketing assistance program under section 204.

SEC. 212. REGULATIONS.

The Secretary of the Commodity Credit Corporation, as appropriate, shall promulgate regulations to carry out the provisions of this title.

SEC. 213. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated, without fiscal year limitation, such sums as may be necessary to carry out this title.

TITLE III—RESPONSE TO UNFAIR TRADE PRACTICES

SEC. 301. PURPOSE OF AUTHORITIES.

It is the purpose of this title to authorize the Secretary to carry out such agricultural trade programs as may be necessary to carry out the agricultural trade policy of the United States with respect to the use of unfair agricultural trade practices by foreign countries.

SEC. 302. EXPORT ENHANCEMENT PROGRAM TO COMBAT UNFAIR TRADE PRACTICES.

(a) IN GENERAL.—The Secretary shall carry out in accordance with this section a program to discourage unfair trade practices by foreign countries and to encourage the development, maintenance, and expansion of export markets for United States agricultural commodities by making United States agricultural commodities price competitive.

(b) EXPORT INCENTIVE.—In carrying out the program established under this section, the Secretary may—

(1) make agricultural commodities, acquired by the Commodity Credit Corporation, available to exporters, users, or processors of United States agricultural commodities at no cost either directly or through the issuance of commodity certificates; and

(2) make cash payments to exporters, users, and processors of United States agricultural commodities.

(c) TERMS AND CONDITIONS OF PROGRAM.—

(1) WHEN AVAILABLE.—The Secretary shall use export incentives made available under this section to the extent necessary to counter or offset the adverse effect on the export of a United States agricultural commodity of the unfair trade practice of a foreign country that directly or indirectly benefits producers, processors, or exporters or agricultural commodities in such foreign country.

(2) MARKET PRICE.—The Secretary shall provide export incentives under this section to exporters, users, or processors of United States agricultural commodities to the extent necessary to permit such commodities to be made available at the world market price in the foreign market to which such commodities are exported.

(3) INTERESTED FOREIGN MARKETS.—The Secretary shall consider providing incentives under the program established under this section to facilitate sales to be made to buyers in all foreign markets in which other countries are engaging in unfair trade practices, giving priority to sales to be made to buyers in those foreign markets that have been traditional markets for United States agricultural commodities.

(4) DISPLACEMENT.—The Secretary shall avoid the displacement of usual marketings of United States agricultural commodities in carrying out this section.

(5) PRECAUTIONS AGAINST RESALE.—The Secretary shall take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities receiving export assistance under this section.

(6) COMPETITIVE DISADVANTAGE.—The Secretary shall take such action as necessary to ensure that equal treatment is provided to domestic and foreign purchasers and users of United States agricultural commodities in any case in which the importation of a manufactured product made, in whole or in part, from a commodity made available for export under this section would place domestic users of the commodity at a competitive disadvantage.

(7) FREIGHT COST.—The Secretary may include the cost of freight from the United States to designated points of entry in foreign countries.

(8) DIFFERENT COMMODITIES.—The Secretary may provide to a exporter, user, or processor of United States agricultural commodities under the program established under this section, agricultural commodities of a kind different than the agricultural commodities involved in the transaction for which assistance under this section is being provided.

(9) OTHER EXPORT PROGRAMS.—The Secretary may provide commodities under this section in conjunction with other export promotion programs conducted by the Secretary or the Commodity Credit Corporation.

(d) RESTRICTION ON PURCHASE OF COMMODITIES.—United States agricultural commodities shall not be purchased with funds available under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 25, 1935, for the sole purpose of using such commodities under the program under this section. Such commodities or products thereof shall not be provided to a user, exporter, or processor of United States agricultural commodities under the program established under this section except by mutual agreement of such user, exporter or processor and the Secretary.

(e) USE OF COMMODITY CREDIT CORPORATION.—The Secretary shall carry out the program established under this section through the Commodity Credit Croporation.

(f) INAPPLICABILITY OF PRICE RESTRICTIONS.—Any price restrictions that otherwise may be applicable to dispositions of agricultural commodities owned by the Commodity Credit Corporation shall not apply to agricultural commodities provided under this section.

(g) NATURE OF PROGRAM ACTIVITY.—The authority granted under this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

(h) ADMINISTRATION.—In the administration of the program established under this section, the Secretary shall—

(1) use definite and publicized criteria for reviewing initiatives made under the program, including criteria for identifying the trade threat countered by the initiatives, the additional agricultural exports that the initiative will promote, and for the targeting of particular importing countries;

(2) establish and maintain a procedure for evaluating and reviewing bonuses awarded under the program;

(3) establish and maintain consistent and effective procedures for reviewing the payment of bonuses to exporters, and for securing refunds of overpayments of bonus payments that the exporter is not entitled to retain; and

(4) require exporters, users, or processors who receive assistance under this program to maintain all records concerning the use of such assistance for a period of 5 years and permit the Secretary to have full and complete access to the records of the exporter, user, or processor relating to the use of assistance under the program for the 5-year period following the provision of assistance.

(i) VALUE ADDED PRODUCTS.—The Secretary shall ensure that not less than 10 percent of the amounts referred to under subsection (j) to carry out this section shall be made available for sales of value-added, fortified, or high-value agricultural products.

(j) FUNDING LEVELS.—The Commodity Credit Corporation shall make available for each of the fiscal years 1991 through 1995, such funds or commodities of the Commodity Credit Corporation as may be necessary to carry out the program established under this section.

SEC. 303. REGULATIONS.

The Secretary or the Commodity Credit Corporation, as appropriate, shall promulgate regulations necessary to carry out this title.

TITLE IV—GENERAL PROVISONS

SEC. 401. AGRICULTURAL EMBARGO PROTECTION.

(a) PREREQUISITES; SCOPE OF COMPENSATION.—Not withstanding any other provisons of law, if—

(1) the President or other member of the executive branch of the Federal Government causes the export of any agricultural commodity to any country or area of the world to be suspended or restricted for reasons of national security or foreign policy under the Export Administration Act of 1979 (50 U.S.C. App. 2401 et seq.) or under and other provision of law;

(2) such suspension or restriction of the export of such agricultural commodity is imposed other than in connection with a suspension or restriction of all exports from the United States to such country or area of the world; and

(3) sales of such agricultural commodity for export from the United States to such country or area of the world during the year preceding the year in which the suspension or restriction is imposed exceeds 3 percent of the total sale of such commodity for export from the United States to all foreign countries during the year preceding the year in which the suspension or restriction is in effect;

the Secretary shall compensate producers of the commodity involved by making payments available to such producers, as provided in subsection (b) of this section.

(b) AMOUNT OF PAYMENTS.—If the Secretary makes payments available to producers under subsection (a), the amount of such payment shall be determined—

(1) in the case of an agricultural commodity for which payments are authorized to be made to producers under Title I of the Agrcultural Act of 1949 (7 U.S.C. 1441 et seq.), by multiplying—

(A) the farm program payment yield for the producer or the yield established for the farm for the commodity involved; by

(B) the farm program acreage established for the commodity; by

(C) the amount by which the average market price per unit of such commodity received by producers during the 60-day period immediately following the date of the imposition of the suspension or restriction is less than 100 percent

of the parity price for such commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction; or

(2) in the case of other agricultural commodities for which price support is authorized for producers under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), by multiplying the amount by which the average market price per unit of such commodity received by the producers during the 60-day period immediately following the date of the imposition of the suspension or restriction is less than 100 percent of the parity price for such commodity, as determined by the Secretary on the date of the imposition of the suspension or restriction, by the quantity of such commodity sold by the producer during the period that the suspension or restriction is in effect.

(c) TIME FOR PAYMENTS.—Payments under paragraph (1) of subsection (b) shall be made for each marketing year or part thereof during which the suspension or restriction is in effect and shall be made in equal amounts at 90-day intervals, beginning 90 days after the date of the imposition of the suspension or restriction.

(d) COMMODITY CREDIT CORPORATION.—The Secretary shall use the Commodity Credit Corporation in carrying out the provisions of this section.

(e) REGULATIONS.—The Secretary may issue such regulations as are determined necessary to carry out this section.

SEC. 402. DEVELOPMENT OF PLANS TO ALLEVIATE ADVERSE IMPACT OF EMBARGOES.

To alleviate, to the maximum extent possible, the adverse impact on farmers, elevator operators, common carriers, and exporters of agricultural commodities of the President or other member of the executive branch of the Federal Government causing the export of any agricultural commodity to any country or area of the world to be suspended or restricted, the Secretary of Agriculture shall—

(1) develop a comprehensive contingency plan that shall include—

(A) an assessment of existing farm programs with a view to determining whether such programs are sufficiently flexible to enable the Secretary to efficiently and effectively offset the adverse impact of such a suspension or restriction on farmers, elevator operators, common carriers, and exporters of commodities provided for under such programs;

(B) an evaluation of the kinds and availability of information needed to determine, on an emergency basis, the extent and severity of the impact of such a suspension or restriction on producers, elevator operators, common carriers, and exporters; and

(C) the development of criteria for determining the extent, if any, to which the impact of such a suspension or restriction should be offset in the case of each of the sectors referred to in paragraph (1)(B);

(2) for any suspension or restriction for which compensation is not provided under section 401, prepare and submit to the appropriate Committees of Congress such recommendations for changes in existing agricultural programs, or for new programs,

as the Secretary considers necessary to handle effectively, efficiently, economically, and fairly the impact of any such suspension or restriction;

(3) for any suspension or restriction for which compensation is provided under section 401, prepare and submit to the appropriate Committees of Congress a plan for implementing and administering section 401; and

(4) require the Commodity Credit Corporation, prior to such Corporation purchasing any contracts for the purpose of offsetting the impact of a commodity suspension or restriction, to—

(A) prepare an economic justification for each commodity involved in the suspension or restriction to determine if such a purchase is necessary;

(B) estimate any suspension- or restriction-related benefits and detrimental effects to the exporters, and the use both estimates in determining the extent, if any, Federal assistance is needed; and

(C) limit its purchases to only those types and grades of commodities suspended or restricted from shipment and make such purchases at prices at or near the current market prices.

SEC. 403. CONTRACTING AUTHORITY TO EXPAND AGRICULTURAL EXPORT MARKETS.

(a) IN GENERAL.—The Secretary may contract with individuals for services to be performed outside the United States as the Secretary determines necessary or appropriate for carrying out programs and activities to maintain, develop, or enhance export markets for United States agricultural commodities and products.

(b) NOT EMPLOYEES OF THE UNITED STATES.—Individuals referred to in subsection (a) shall not be regarded as officers or employees of the United States.

SEC. 404. TRADE CONSULTATIONS CONCERNING IMPORTS.

(a) CONSULTATION BETWEEN AGENCIES.—The Secretary shall require consultation between the Administrator of the Service and the heads of other appropriate agencies and offices of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, prior to relaxing or removing any restriction on the importation of any agricultural commodity into the United States.

(b) CONSUTLATION WITH TRADE REPRESENTATIVE.—The Secretary shall consult with the United States Trade Representative prior to relaxing or removing any restiction on the importation of any agricultural commodity or a product thereof into the United States.

SEC. 405. TECHNICAL ASSISTANCE IN TRADE NEGOTIATIONS.

The Secretary shall provide technical services to the United States Trade Representative on matters pertaining to agricultural trade and with respect to international negotiations on issues related to agricultural trade.

SEC. 406. PROHIBITION ON DUTY DRAWBACK CLAIMS BY EXPORTERS WHO USE CERTAIN EXPORT PROMOTION PROGRAMS.

(a) IN GENERAL.—The Secretary may provide that a person shall be ineligible for participation in an export program established

under title I or title III of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), or in any other export credit, credit guarantee, bonus, or other export program carried out through, or administered by, the Commodity Credit Corporation or carried out with funds made available pursuant to section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c) with respect to the export of any agricultural commodity or product that has been or will be used as the basis for a claim of a refund, as drawback, pursuant to section 313(j)(2) of the Tariff Act of 1930 (19 U.S.C. 1313(j)(2)), of any duty, tax, or fee imposed under Federal law on an imported commodity or product.

(b) VEGETABLE OIL.—A person shall be ineligible for participation in any of the export programs referred to in subsection (a) with respect to the export of vegetable oil or a vegetable oil product that has been or will be used as the basis for a claim of a refund, as a drawback, pursuant to section 313 of the Tariff Act of 1930, of any duty, tax, or fee imposed under Federal law on an imported commodity or product.

(c) CERTIFICATION.—If the Secretary takes action under the authority granted under subsection (a), a person applying to export any agricultural commodity under the export programs referred to in subsection (a) shall certify that none of the commodity has been or will be used as the basis of a claim for any refund specified in subsection (a), except that regardless of whether the Secretary takes action under the authority granted under subsection (a), a person applying to export any vegetable oil or vegetable oil product under such programs shall certify that none of the vegetable oil or vegetable oil products has been or will be used as the basis of a claim for any refund specified in subsection (b).

(d) REGULATIONS.—The Secretary shall promulgate regulations to carry out this section.

(e) APPLICABILITY.—This section shall not apply to quantities of agricultural commodities and products with respect to which an exporter has entered into a contract, prior to the effective date of this section, for an export sale.

TITLE V—FOREIGN AGRICULTURAL SERVICE

SEC. 501. UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS.

There is hereby established in the Department of Agriculture the position of Under Secretary of Agriculture for International Affairs and Commodity Programs to be appointed by the President, by and with the advice and consent of the Senate. The Under Secretary of Agriculture for International Affairs and Commodity Programs is authorized to exercise such functions and perform such duties related to foreign agriculture and agricultural stabilization and conservation, and shall perform such other duties, as may be required by law or prescribed by the Secretary of Agriculture.

SEC. 502. ADMINISTRATOR FOR THE FOREIGN AGRICULTURAL SERVICE.

(a) ESTABLISHMENT.—There is hereby established in the Department of Agriculture the position of Administrator of the Foreign

Agricultural Service to be appointed by the President, by and with the advice and consent of the Senate.

(b) DUTIES.—The Administrator of the Foreign Agricultural Service is authorized to exercise such fucntions and perform such duties related to foreign agriculture, and shall perform such other duties, as may be required by law or prescribed by the Secretary of Agricluture.

(c) USED OF SERVICE.—In carrying out the duties under this section, the Administrator shall oversee the operations of the Foreign Agricultural Service, the General Sales Manager, and the Agricultural Attaché Service.

(d) OTHER SPECIFICATIONS.—The Administrator shall receive basic pay at the highest annual rate authorized under section 5382 of title 5, United States Code. Notwithstanding any other provision of law, if a career member of the Senior Foreign Service appointed pursuant to section 3942 of title 5, United States Code, is appointed by the President, by and with the advice and consent of the Senate, to serve as Administrator, such career member may elect, while serving in such appointment, to continue to receive basic pay, and to continue to be eligible for performance awards, awards of rank, severance pay, leave and retirement as if such career member had remained in the Senior Foreign Service position from which such member was appointed, and any such career member may rejoin the Senior Foreign Service at the termination of the tenure of such member as the Administrator.

(e) EFFECTIVE DATE.—The requirement for advice and consent of the Senate with respect to the appointment of the Administrator of the Foreign Agricultural Service shall not apply to any individual serving as such Administrator prior to the date of enactment of this Act.

SEC. 503. RESPONSIBILITIES OF THE FOREIGN AGRICULTURAL SERVICE.

(a) IN GENERAL.—The Service shall assist the Secretary in carrying out the agricultural trade policy of the United States by acquiring information pertaining to agricultural trade, carrying out market promotion and development activities, and implementing the programs authorized in this Act, the Agricultural Trade Development and Assistance Act of 1954, and other Acts.

(b) OTHER RESPONSIBILITIES.—In carrying out its responsibilities, the Service shall—

(1) promote the export of United States agricultural commodities and products thereof;

(2) facilitate economic assistance and agricultural development programs:

(3) offer assistance to the United States Trade Representative in representing United States agricultural producers, processors and exporters in bilateral and multilateral negotiations to reduce unfair trade practices of foreign countries on agricultural trade;

(4) collect and distribute information regarding foreign production, supply, and distribution of agricultural commodities and products thereof, and government policies affecting agricultural production and trade; and

(5) perform such other duties as the Secretary requests.

SEC. 504. PROVISION OF TRADE ASSISTANCE.

(a) ESTABLISHMENT.—The Trade Assistance Office within the Service established under section 4206 of the Omnibus Trade and Competitiveness Act of 1988 (7 U.S.C. 5216) shall be maintained by the Secretary to carry out the duties described in subsections (b) and (c) of this section under the direction of the Administrator of the Service.

(b) PRIMARY RESPONSIBILITY.—The Office referred to in subsection (a) shall provide trade assistance and information to persons who are interested in exporting United States agricultural commodities and products or who believe they have been injured by unfair trade practices with respect to trade in agricultural commodities and products.

(c) DUTIES.—The Office referred to in subsection (a) shall—

(1) compile and make readily available international trade information, including information concerning trade practices carried out by other countries to promote the export of agricultural commodities and products, trade barriers imposed by other countries, unfair trade practices of other countries, and remedies under United States law that might be available to persons injured by unfair trade practices;

(2) provide information and assistance to persons interested in participating in programs carried out by the Foreign Agricultural Service, the Commodity Credit Corporation, and other agencies with respect to the international marketing and export of domestically produced agricultural commodities and products or who believe they have been injured by unfair trade practices of other countries with respect to trade in agricultural commodities and products; and

(3) coordinate the dissemination of information generated under paragraphs (1) and (2) with the Extension Service, as appropriate.

SEC. 505. STAFF OF THE FOREIGN AGRICULTURAL SERVICE.

(a) PERSONNEL OF THE SERVICE.—To ensure that the agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Service shall not be less than 900 staff years each fiscal year.

(b) RANK OF FOREIGN AGRICULTURAL SERVICE OFFICERS IN FOREIGN MISSIONS.—Notwithstanding any other provision of law, the Secretary of State shall, on the request of the Secretary of Agriculture, accord the diplomatic title of Minister-Counselor to the senior Service officer assigned to any United States mission abroad, the number of Service officers holding such diplomatic title at any time may not exceed twelve.

SEC. 506. AUTHORIZATION OF APPROPRIATIONS.

There are hereby authorized to be appropriated for the Service such sums as may be necessary to carry out the provisions of this title.

TITLE VI—REPORTS

SEC. 601. LONG-TERM AGRICULTURAL TRADE STRATEGY REPORTS.

(a) IN GENERAL.—The Secretary of Agriculture shall every 3 years prepare a Long-Term Agricultural Trade Strategy Report based on the long-term agricultural trade strategy developed by the Secretary under title I.

(b) CONTENTS.—The Report required in subsection (a) shall—

(1) detail the Long-Term Agricultural Trade Strategy developed by the Secretary under title I; and

(2) for each report submitted after the first report, review the agricultural trade performance of the United States during the previous 3-year period in light of the long-term agricultural trade strategy and trade goals developed by the Secretary for such period under this Act.

(c) CONSULTATION.—In preparing each report under subsection (a), the Secretary shall consult with the United States Trade Representative to ensure that the report is coordinated with the annual national trade policy agenda included in the annual report for the relevant fiscal year prepared under section 163 of the Trade Act of 1974 (19 U.S.C. 2213).

(d) UPDATE.—The Secretary shall prepare an annual update to the report required under subsection (a) that shall contain a description of any revisions to the long-term agricultural trade strategy made by the Secretary and such other information as may be specified in this section or determined appropriate by the Secretary.

(e) TREATMENT AS ANNUAL BUDGET SUBMISSION.—Provisions of each Long-Term Agricultural Trade Strategy Report and annual update of such report that relate to recommended levels of spending on international activities of the Department of Agriculture for the upcoming fiscal year shall be treated as the annual budget submission of the President to Congress for such activities for such fiscal year, and shall be submitted together with the budget request for other programs of the Department of Agriculture for such fiscal year.

(f) AVAILABILITY OF REPORT.—

(1) SUBMISSION TO CONGRESS.—The Secretary shall submit the report required under subsection (a) (and any updates to such report) to the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry and the Committee on Finance of the Senate.

(2) AVAILABILITY TO PUBLIC.—Except as provided in paragraph (3), the Secretary may make the report required under subsection (a) available to the general public, including the State departments of agriculture.

(3) CONFIDENTIAL.—The Secretary may designate portions of the report required under subsection (a) as confidential and not to be released to the general public if—

(A) the Secretary determines that the release of such information would disadvantage the United States with respect to its competitors in specific foreign markets; or

(B) any of such information is determined to be business confidential.

(4) NOT APPLICABLE TO REVIEW OF STRATEGY.—The provisions of paragraph (3)(A) shall not be applicable with respect to the portion of the report that reviews the agricultural trade performance of the United States over a previous 3-year period in accordance with subsection (b)(2).

SEC. 602. OTHER REPORTS TO CONGRESS.

The Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrtion and Forestry of the Senate, reports concerning the information described in this section. Such information may be provided in individual reports, in a consolidated report, or in the Long-Term Agricultural Trade Strategy Report (and annual updates to such report) prepared under section 601.

(1) BARTER.—The Secretary shall, not later than January 15 of each year, prepare and submit a report concerning the use of the barter authorities by the Secretary or the Commodity Credit Corporation under this Act or under any other Act (except the barter provisions contained in titles I and II of the Agricultural Trade Development and Assistance Act of 1954) during the previous fiscal year.

(2) EXPORT ASSISTANCE UPDATE.—The Secretary shall, not less than bi-monthly, prepare and submit a report specifying the cumulative amount of export assistance provided by the Commodity Credit Corporation and the Secretary under the programs provided under this Act, the Commodity Credit Corporation Charter Act, and under the Agricultural Trade Development and Assistance Act of 1954 during the current fiscal year.

(3) TRADE ASSISTANCE OFFICE.—The Secretary shall, not later than January 15 of each year, prepare and submit a report that describes the type of information that is currently available through the Trade Assistance Office of the Service and the type of assistance provided to persons through such office during the previous fiscal year.

(4) EXPORT SALES, USE OF CREDIT GUARANTEES AND DIRECT LOANS.—On a quarterly basis, the Administrator shall report to the appropriate Committees of Congress concerning the level of export sales, the level of export sales generated by the use of credit guarantees and direct credit.

(5) FOOD AID ASSISTANCE REPORT.—Not later than January 15 of each year, the Secretary shall prepare and submit, to the Committee on Agriculture and the Committee on Foreign Affairs of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report concerning the food aid assistance programs. The Secretary may submit such report in conjunction with reports required under sections 601 or 602. This report shall include—

(A) a review of the programs and activities carried out under section 416 of the Agricultural Act of 1949;

(B) the levels and recipients of food and other assistance provided under the Agricultural Trade Development and Assistance Act of 1954;

(C) the countries in which projects or activities are implemented under this Act;

(D) a general description of the projects or activities implemented with assistance under this Act;

(E) a description of the status of each agreement entered into with a country under title III of the Agricultural Trade Development and Assistance Act of 1954 and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in such country; and

(F) the recommendations of the Secretary, if any, for legislative changes to improve the conduct of the food aid assistance programs.

OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988

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PART II—ASSISTANCE TO POLAND

SEC. 2221. SHORT TITLE.

This part may be cited as the "American Aid to Poland Act of 1988".

SEC. 2222. FUNDING FOR SCIENCE AND TECHNOLOGY AGREEMENT.

(a) FUNDING.—For purposes of implementing the 1987 United States-Polish science and technology agreement, there are authorized to be appropriated to the Secretary of State for fiscal year 1988, $1,000,000.

(b) AVAILABILITY OF FUNDS.—Amounts appropriated under subsection (a) are authorized to remain available until expended.

(c) DEFINITION.—For purposes of this section, the term "1987 United States-Polish science and technology agreement" refers to the draft agreement concluded in 1987 by the United States and Poland, entitled "Agreement Between the Government of the United States of America and the Polish People's Republic on Cooperation in Science and Technology and Its Funding", together with annexes relating thereto.

SEC. 2223. DONATION OF SURPLUS AGRICULTURE COMMODITIES.

(a) AUTHORITY TO DONATE.—Notwithstanding any other provisions of law, the Secretary of Agriculture shall donate, under the applicable provisions of section 416(b) of the Agricultural Act of 1949, for each of the fiscal years 1988 through 1992, 8,000 metric tons of uncommitted stocks of eligible commodities of the Commodity Credit Corporation under an agreement with the Government of Poland that the Government of Poland will sell commodities and that all the proceeds from such sales will be used by nongovernmental agencies for eligible activities in Poland described in section [416(b)(7)(D)(ii)] *416(b)* of that Act (as amended by section 2225 of this Act) that have been approved, upon application, by the joint commission described in section 2226 and by the United States chief of diplomatic mission in Poland.

(b) DEFINITIONS.—For purposes of this section—

(1) the term "eligible commodities" has the same meaning as is given such term in section 416(b)(2) of the Agricultural Act of 1949 and, in addition, includes feed grains; and

(2) the term "nongovernmental agencies" includes nonprofit voluntary agencies cooperatives, intergovernmental agencies such as the World Food Program, and other multilateral organizations.

SEC. 2224. USE OF POLISH CURRENCIES.

(a) USE OF POLISH CURRENCIES.—Subject to subsection (b), nonconvertible Polish currencies (zlotys) held by the United States on the date of enactment of this Act pursuant to an agreement with the Government of Poland under the Agricultural Trade Development and Assistance Act of 1954 which are not assets of the Commodity Credit Corporation shall be made available, to the extent and in such amounts as are provided in advance in appropriation Acts, for eligible activities in Poland described in section [416(b)(7)(D)(ii)] *416(b)* of the Agricultural Act of 1949 (as amended by section 2225 of this Act) and approved, upon application, by the joint commission described in section 2226 and by the United States chief of diplomatic mission in Poland.

(b) AVAILABILITY OF CURRENCIES.—Currencies available under subsection (a) are currencies available after satisfaction of existing commitments to use such currencies for other purposes specified by law.

SEC. 2225. ELIGIBLE ACTIVITIES.

Section 416(b)(7)(ii) of the Agricultural Act of 1949 is amended by adding at the end the following: "In addition, foreign currency proceeds generated in Poland may also be used by such agencies or cooperatives for eligible activities approved by the joint commission established pursuant to section 2226 of the American Aid to Polish Act of 1988 and by the United States chief of diplomatic mission in Poland that would improve the quality of life of the Polish people and would strengthen and support the activities of private, nongovernmental independent institutions in Poland. Activities eligible under the preceding sentence include—

"(I) any other project underaken in Poland under the auspices of the Charitable Commission of the Polish Catholic Episcopate for the benefit of handicapped or orphaned children;

"(II) any other project for the reconstruction, renovation, or maintenance of the Research Center on Jewish History and Culture of the Jagiellonian University of Krakow, Poland, established for the study of events related to the Holocaust in Poland; and

"(III) any other project or activity which strengthens and supports private and independent sectors of the Polish economy, especially independent farming and agriculture.".

SEC. 2226. JOINT COMMISSION.

(a) ESTABLISHMENT.—The joint commission referred to in sections 2223 and 2224 and in section [416(b)(7)(D)(ii)] *416(b)* of the Agricultural Act of 1949 (as amended by section 2225 of this Act) shall be established under an agreement between the United States Govern-

ment, the Goverment of Poland, and nongovernmental agencies (as defined in section 2223) operating in Poland.

(b) MEMBERSHIP.—The joint commission shall be composed of—

(1) appropriate representatives of the Government of Poland;

(2) appropriate representatives of nongovernmental agencies which are parties to the agreement described in subsection (a); and

(3) representatives from the United States diplomatic mission in Poland, which may include a representative of the Foreign Agricultural Service.

SEC. 2227. PROVISION OF MEDICAL SUPPLIES AND HOSPITAL EQUIPMENT TO POLAND.

In addition to amounts authorized to be appropriated to carry out chapter 4 of part II of the Foreign Assistance Act of 1961 (relating to the economic support fund) for fiscal years 1988 and 1989, there are authorized to be appropriated to carry out that chapter for each such fiscal year $2,000,000, which shall be available only for providing medical supplies and hospital equipment to Poland through private and voluntary organizations, including for the expenses of purchasing, transporting, and distributing such supplies and equipment.

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Subtitle B—Agricultural Trade Initiatives

PART 1—GENERAL PROVISIONS

[SEC. 4201. LONG-TERM AGRICULTURAL TRADE STRATEGY REPORTS.

[(a) CONTENTS.—The Secretary of Agriculture shall prepare annually, and the President shall submit together with the budget for each fiscal year, a Long-Term Agricultural Trade Strategy Report establishing recommended policy goals for United States agricultural trade and exports, and recommended levels of spending on international activities of the Department of Agriculture, for 1-, 5-, and 10-fiscal year periods. In preparing each such report, the Secretary shall consult with the United States Trade Representative to ensure that the report is coordinated with the annual national trade policy agenda included in the annual report for the relevant fiscal year prepared under section 163 of the Trade Act of 1974 (19 U.S.C. 2213). Each such report shall include—

[(1) findings with respect to trends in the comparative position of the United States and other countries in the export of agricultural commodities and products, organized by major commodity group and including a comparative analysis of the cost of production of such commodities and products;

[(2) findings with respect to new developments in research conducted by other countries that may affect the competitiveness of United States agricultural commodities and products;

[(3) findings and recommendations with respect to the movement of United States agricultural commodities and products in nonmarket economies;

[(4) as appropriate, the agricultural trade goals for each agricultural commodity and value-added product produced in the

United States for the period involved, expressed in both physical volume and monetary value;

[(5) recommended Federal policy and programs to meet such agricultural trade goals;

[(6) recommended levels of Federal spending on international programs and activities of the Department of Agriculture to meet such agricultural trade goals;

[(7) recommended levels of Federal spending on programs and activities of agencies other than the Department of Agriculture to meet such agricultural trade goals; and

[(8) recommended long-term strategies for growth in agricultural trade and exports—

[(A) taking into account United States competitiveness, trade negotiations, and international monetary and exchange rate policies; and

[(B) including specific recommendations with respect to export enhancement programs (including credit programs and export payment-in-kind programs), market development activities, and foreign agricultural and economic development assistance activities needed to implement such strategies.

[(b) TREATMENT AS ANNUAL BUDGET SUBMISSION.—Provisions of each Long-Term Agricultural Trade Strategy Report that relate to recommended levels of spending on international activities of the Department of Agriculture for the upcoming fiscal year shall be treated as the President's annual budget submission to Congress for such activities for such fiscal year, and shall be submitted along with the budget request for other programs of the Department of Agriculture for such fiscal year.

[(c) SUCCEEDING REPORTS.—The Secretary of Agriculture, in each annual Long-Term Agricultural Trade Strategy Report, shall identify any recommendations in such report that might modify the long-term policy contained in any previous report.

[(d) RECOMMENDATIONS FOR CHANGES IN LAW.—The President shall include in each annual budget submission recommendations for such changes in law as are required to meet the long-term goals established in the Report.]

[SEC. 4202. TECHNICAL ASSISTANCE IN TRADE NEGOTIATIONS.

[The Secretary of Agriculture shall provide technical services to the United States Trade Representative on matters pertaining to agricultural trade and with respect to international negotiations on issues related to agricultural trade.]

SEC. 4203. JOINT DEVELOPMENT ASSISTANCE AGREEMENTS WITH CERTAIN TRADING PARTNERS.

(a) DEVELOPMENT OF PLAN.—With respect to any country that has a substantial positive trade balance with the United States, the Secretary of Agriculture, in consultation with the the Secretary of State and (through the the Secretary of State) representatives of such country, may develop an appropriate plan under which that country would purchase United States agricultural commodities or products for use in development activities in developing countries. In developing such plan, the Secretary of Agriculture shall take into consideration the agricultural economy of such country, the

nature and extent of such country's programs to assist developing countries, and other relevant factors. The Secretary of Agriculture shall submit each such plan to the President as soon as practicable.

(b) AGREEMENT.—The President may enter into an agreement with any country that has a positive trade balance with the United States under which that country would purchase United States agricultural commodities or products for use in agreed-on development activities in developing countries.

SEC. 4202. REORGANIZATION EVALUATION.

The Secretary of Agriculture shall evaluate the reorganization proposal recommended by the National Commission on Agricultural Trade and Export Policy and other proposals to improve management of international trade activities of the Department of Agriculture. To assist the Secretary in the evaluation, the Secretary shall appoint a private sector advisory committee of not less than 4 members, who shall be appointed from among individuals representing farm and agricultural commodity organizations, market development cooperators, and agribusiness. Not later than April 30, 1989, the Secretary shall report the findings of the evaluation to Congress, together with the views and recommendations of the private sector advisory committee.

[SEC. 4205. CONTRACTING AUTHORITY TO EXPAND AGRICULTURAL EXPORT MARKETS.

[(a) IN GENERAL.—The Secretary of Agriculture may contract with individuals for services to be performed outside the United States as the Secretary determines necessary or appropriate for carrying out programs and activities to maintain, develop, or enhance export markets for United States agricultural commodities and products.

[(b) NOT EMPLOYEES OF THE UNITED STATES.—Such individuals shall not be regarded as officers or employees fo the United States.]

[SEC. 4206. ESTABLISHMENT OF TRADE ASSISTANCE OFFICE.

[(a) ESTABLISHMENT WITHIN THE FOREIGN AGRICULTURAL SERVICE.—The Secretary of Agriculture shall establish an office within the Foreign Agricultural Service to carry out the duties described in subsections (b) and (c) under the direction of the Administrator of the Foreign Agricultural Service.

[(b) PRIMARY RESPONSIBILITY.—The office established under subsection (a) shall provide trade assistance and information to persons who are interested in exporting United States agricultural commodities and products or who believe they have been injured by unfair trade practices with respect to trade in agricultural commodities and products.

[(c) DUTIES.—The office established under subsection (a) shall—

[(1) compile and makes readily available international trade information, including information concerning trade practices carried out by other countries to promote the export of agricultural commodities and products, trade barriers imposed by other countries, unfair trade practices of other countries, and remedies under United States law that might be available to persons injured by unfair trade practices; and

[(2) provide information and assistance to persons interested in participating in programs carried out by the Foreign Agricultural Service, the Commodity Credit Corporation, and other agencies with respect to the international marketing and export of domestically produced agricultural commodities and products or who believed they have been injured by unfair trade practices of other countries with respect to trade in agricultural commodities and products.

[(d) REPORT.—

[(1) DEADLINE FOR SUBMISSION.—Not later than 60 days after the end of each fiscal year, the Administrator of the Foreign Agricultural Service shall submit a report described in paragraphs (2) and (3) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(2) CONTENTS OF EACH REPORT.—Each such report shall describe—

[(A) the type of information that is currently available through the office established by this section; and

[(B) the type of assistance provided to persons during the previous fiscal year.

[(3) ADDITIONAL CONTENTS FOR FIRST REPORT.—In the first report submitted under this section, the Administrator shall also—

[(A) provide an analysis of the information currently available concerning foreign agricultural trade practices and domestic agricultural trade promotion programs and the methods used to disseminate such information;

[(B) provide recommendations with respect to additional information and assistance that should be made available to interested persons; and

[(C) provide an analysis of the degree that overlapping information and reports concerning agricultural trade are prepared.]

PART 2—FOREIGN AGRICULTURAL SERVICE

[SEC. 4211. PERSONNEL OF THE SERVICE.

[(a) INCREASED LEVEL.—To ensure that the agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Foreign Agricultural Service of the Department of Agriculture (hereinafter in this part referred to as the "Service") shall not be less than 900 fulltime employees during each of the fiscal years 1989 and 1990.

[(b) RANK OF FOREIGN AGRICULTURAL SERVICE OFFICERS IN FOREIGN MISSIONS.—Notwithstanding any other provision of law, the Secretary of State shall, upon the request of the Secretary of Agriculture, accord the diplomatic title of Minister-Counselor to the senior Service officer assigned to any United States mission abroad. The number of Service officers holding such diplomatic title at any time may not exceed eight.

[SEC. 4212. AGRICULTURAL ATTACHE EDUCATIONAL PROGRAM.

[The Administrator of the Service (hereinafter in this part referred to as the "Administrator") shall establish a program within

the Service that directs attaches of the Service who are reassigned from abroad to the United States, and other personnel of the Service, to visit and consult with producers and exporters of agricultural commodities and products and State officials throughout the United States concerning various methods to increase exports of United States agricultural commodities and products.

[SEC. 4213. PERSONNEL RESOURCE TIME.

[(a) IN GENERAL.—In planning the overall allocation of personnel resource time of agricultural attaches of the Service, the Administrator shall ensure that the maximum quantity practicable of the overall personnel resource time of agricultural attaches of the Service be devoted to activities designed to increase markets for United States agricultural commodities and products.

[(b) REPORTS.—The Administrator shall submit reports to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate that describe the allocation of personnel resource time of agricultural attaches during the 1988 and 1989 fiscal years. The report for fiscal year 1988 shall be submitted not later than September 30, 1988, or 30 days after the date of the enactment of this Act, whichever is later. The report for fiscal year 1989 shall be submitted not later than September 30, 1989.]

SEC. 4214. COOPERATOR ORGANIZATIONS.

(a) SENSE OF CONGRESS.—It is the sense of Congress that the foreign market development cooperator program of the Service, and the activities of individual foreign market cooperator organizations, have been among the most successful and cost-effective means to expand United States agricultural exports. Congress affirms its support for the program and the activities of the cooperator organizations. The Administrator and the private sector should work together to ensure that the program, and the activities of cooperator organizations, are expanded in the future.

(b) COMMODITIES FOR COOPERATOR ORGANIZATIONS.—The Secretary of Agriculture may make available to cooperator organizations agricultural commodities owned by the Commodity Credit Corporation, for use by such cooperators in projects designed to expand markets for United States agricultural commodities and products.

(c) RELATED TO FUNDS.—Commodities made available to cooperator organizations under this section shall be in addition to, and not in lieu of, funds appropriated for market development activities or such cooperatror organizations.

(d) CONFLICTS OF INTEREST.—The Secretary shall take appropriate action to prevent conflicts of interest among cooperator organizations participating in the cooperator program.

(e) EVALUATION.—It is the sense of Congress that the Secretary should establish a consistent, objective means for the evaluation of cooperator programs.

SEC. 4215. AUTHORIZATION OF ADDITIONAL APPROPRIATIONS.

There are authorized to be appropriated for the Service, in addition to any sums otherwise authorized to be appropriated by any provison of law other than this section, $20,000,000 for each of the

fiscal years 1988, 1989, and 1990 for market development activities, including—

(1) expansion of the agricultural attache service;

(2) expansion of international trade policy activities of the Service;

(3) enhancement of the Service worldwide market information system;

(4) increasing the number of trade shows and exhibitions conducted by the Service and upgrading the quality of United States representation at trade shows and exhibitions; and

(5) developing markets for value-added beef, pork, and poultry products.

Subtitle C—Existing Agricultural Trade Programs

SEC. 4301. TRIGGERED MARKETING LOANS AND EXPORT ENHANCEMENT.

(a) CERTIFICATION TO CONGRESS.—Notwithstanding any other provision of law, if before January 1, [1990] *1991*, a law has not been enacted in accordance with section 151 of the Trade Act of 1974 (19 U.S.C. 2191) that implements an agreement negotiated under the Uruguay round of multilateral trade negotiation conducted under the General Agreement on Tariffs and Trade (hereinafter in this section referred to as "GATT negotiations") concerning agricultural trade, the President, not later than 45 days after such date—

(1) shall submit a report to the Committee on Agriculture, the Committee on Foreign Affairs, and the Committee on Ways and Means of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry and the Committee on Finance of the Senate describing the statue of the GATT negotiations concerning agricultural trade, the progress that has been made to date in the negotiations, the general areas of disagreement, the anticipated date of completion of the negotiations, and the changes in domestic farm programs that are likely to be necessary on conclusion of the negotiations; and

(2) shall certify to Congress whether or not significant progress has been made in the negotiations.

(b) MARKETING LOAN.—

(1) IMPLEMENTATION.—Except as provided in paragraph (2), if the President, does not certify that significant progress has been made towards reaching a GATT agreement concerning agricultural trade, the President shall, not later than 60 days before the beginning of the marketing year [for the 1990 crop of wheat, instruct the Secretary of Agriculture to permit producers to repay loans made under sections 107D(a), 105C(a), and 201(i) of the Agricultural Act of 1949 (7 U.S.C. 1445b–3(a), 1444e(a), and 1446(i)) for each of the 1990 crops of wheat, feed grains, and soybeans at a level that is the lesser of—] *for the 1991 crop of wheat, instruct the Secretary of Agriculture to permit producers to repay loans made under the Agricultural Act of 1949 for each of the 1991 crops of wheat, feed grains, and soybeans at a level that is the lesser of —*

(A) the loan level determined for each such crop; or

(B) the prevailing word market price for each such crop, as determined by the Secretary.

(2) WAIVER.—The President may waive the application of paragraph (1) by certifying to Congress that implementation of the marketing loan would harm further negotiations.

(3) DISCONTINUANCE.—If, after the implementation of a marketing loan in accordance with paragraph (1), the President certifies to Congress that substantial progress is being made in the GATT negotiations and that continuation of the marketing loan program implemented in accordance with paragraph (1) would harm such progress, the President may instruct the Secretary of Agriculture to discontinue the marketing loan program.

(c) EXPORT ENHANCEMENT.—

(1) IN GENERAL.—Except as provided in paragraph (4), if the President, exercises the authority to waive or discontinue the marketing loan program provided for in paragraph (2) or (3) of subsection (b), the President shall instruct the Secretary of Agriculture to make agricultural commodities and products acquired by the Commodity Credit Corporation equaling at least $2,000,000,000 in value available during the [1990 through 1992] *1991 through 1993* fiscal years to United States exporters of domestically produced argricultural commodities and products for the purpose of making exports of such commodities and products available on the world market at competitive prices.

(2) NONDISPLACEMENT.—Commodities and products made available in accordance with this subsection shall be in addition to, and not in lieu of, other commodities and products made available for the purposes of enhancing the export of United States commodities and products.

(3) USE OF COMMODITY CREDIT CORPORATION.—The Secretary of Agriculture may use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out this subsection.

(4) EXCEPTION.—The President may waive the application of paragraph (1) by certifying to Congress that implementation of the export enhancement program provided for by this subsection would be a substantial impediment to achieving a successful agreement under the GATT.

(5) DISCONTINUANCE.—If, after the implementation of paragraph (1), the President certifies to Congress that substantial progress is being made in the GATT negotiations and that continuation of the export enhancement program implemented in accordance with paragraph (1) would harm such progress, the President may, not before 60 days after the consultation required under subsection (d) with respect to such certification, instruct the Secretary of Agriculture to suspend the implementation of such program.

(d) CONSULTATION.—The President may not make a certification to Congress under this section unless the United States Trade Representatives—

(1) consults about the certification with—

(A) the Committee on Agriculture, the Committee on Foreign Affairs, and the Committee on Ways and Means of the House of Representatives; and

(B) the Committee on Agriculture, Nutrition, and Forestry and the Committee on Finance of the Senate; and

(2) reports to the President the results of such consultation.

[SEC. 4305. EXPORT CREDIT GUARANTEE PROGRAM.

[It is the sense of Congress that, to the extent that the Commodity Credit Corporation makes a specified allocation of credit guarantees available under the export credit guarantee program referred to in section 1125 of the Food Security Act of 1985 (7 U.S.C. 1736t) for short-term credit extended to finance the export sales of United States agricultural commodities and products, such allocation should be made on a country-only basis and not on a commodity basis or a commodity and country basis.]

* * * * * * *

[SEC. 4311. FOOD AID AND MARKET DEVELOPMENT.

[(a) POLICY STATEMENT.—It is the policy of the United States to use food aid and agriculturally-related foreign economic assistance programs more effectively to develop markets for United States agricultural commodities and products.

[(b) REQUIREMENT.—The President (or, as appropriate, the Secretary of Agriculture) shall encourage recipient countries under food assistance agreements entered into under any program administered by the Secretary to agree to give preference to United States food and food products in future food purchases.]

* * * * * * *

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

AN ACT To provide for the protection of land resources against soil erosion, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is hereby recognized that the wastage of soil and moisture resources on farm, grazing, and forest lands of the Nation, resulting from soil erosion, is a menace to the national welfare and that it is hereby declared to be the policy of Congress to provide permanently for the control and prevention of soil erosion and thereby to preserve natural resources, control floods, prevent impairment of reservoirs, and maintain the navigability of rivers and harbors, protect public health, public lands and relieve unemployment, and the Secretary of Agriculture, from now on, shall coordinate and direct all activities with relation to soil erosion and in order to effectuate this policy is hereby authorized, from time to time—

(1) To conduct surveys, investigations, and research relating to the character of soil erosion and the preventive measures needed, to publish the results of any such surveys, investigations, or research, to disseminate information concerning such methods, and to conduct demonstrational projects in areas subject to erosion by wind or water;

(2) To carry out preventive measures, including, but not limited to, engineering operations, methods of cultivation, the growing of vegetation, and changes in use of land;

(3) To cooperate or enter into agreements with, or to furnish financial or other aid to, any agency, governmental or otherwise, or any person, subject to such conditions as he may deem necessary, for the purposes of this Act; and

(4) To acquire lands, or rights or interests therein, by purchase, gift, condemnation, or otherwise, whenever necessary for the purposes of this Act.

LANDS ON WHICH PREVENTIVE MEASURES MAY BE TAKEN

SEC. 2. The acts authorized in section 1 (1) and (2) may be performed—

(a) On lands owned or controlled by the United States or any of its agencies, with the cooperation of the agency having jurisdiction thereof; and

(b) On any other lands, upon obtaining proper consent or the necessary rights or interests in such lands.

BENEFITS FOR NON-GOVERNMENT CONTROLLED LANDS

SEC. 3. As a condition of the extending of any benefits under this Act to any lands not owned or controlled by the United States or any of its agencies, the Secretary of Agriculture may, insofar as he may deem necessary for the purposes of this Act, require—

(1) The enactment and reasonable safeguards for the enforcement of State and local laws imposing suitable permanent restrictions on the use of such lands and otherwise providing for the prevention of soil erosion;

(2) Agreements or covenants as to the permanent use of such lands; and

(3) Contributions in money, services, materials, or otherwise, to any operations conferring such benefits.

* * * * * * *

ESTABLISHMENT OF SOIL CONSERVATION SERVICE

SEC. 5. The Secretary of Agriculture shall establish an agency to be known as the "Soil Conservation Service, to exercise the powers conferred on him by this Act and may utilize the organization heretofore established for the purpose of administering those provisions of sections 202 and 203 of the National Industrial Recovery Act which relate to the prevention of soil erosion, together with such personnel thereof as the Secretary of Agriculture may determine, and all unexpended balances of funds heretofore allotted to said organization shall be available until June 30, 1937, and the Secretary of Agriculture shall assume all obligations incurred by said organization prior to transfer to the Department of Agriculture. In order that there may be proper coordination or erosion-control activities the Secretary of Agriculture may transfer to the agency created under this Act such functions, funds, personnel, and property of other agencies in the Department of Agriculture as he may from time to time determine. *It is a purpose of the Soil Conser-*

vation Service, in addition to the other purposes of such organization, to protect and improve the quality of ground water.

* * * * * * * *

LIMITATION ON OBLIGATIONS INCURRED

SEC. 16. (a) The obligations incurred for the purpose of carrying out for any calendar year, the provisions of sections 7 to 14, inclusive, of this Act shall not exceed $500,000,000.

GREAT PLAINS CONSERVATION PROGRAM

(b) Notwithstanding any other provision of law—

(1) the Secretary is authorized, within the amounts of such appropriations as may be provided therefor, to enter into contracts of not to exceed ten years with owners and operators of land in the Great Plains area having such control as the Secretary determines to be needed of the farms, ranches, or other lands covered thereby; but such contracts shall be entered into with respect to lands, other than farms or ranches, only where erosion is so serious as to make such contracts necessary for the protection of farm or ranch lands. Such contracts shall be designed to assist farm, ranch, or other land owners or operators to make, in orderly progression over a period of years, changes in their cropping systems or land uses which are needed to conserve, develop, protect, and utilize the soil and water resources of their farms, ranches, and other lands to install the soil and water conservation measures and carry out the practices needed under such changed systems and uses. Such contracts may be entered into during the period ending not later than September 30, [1991,] *2001,* with respect to farms, ranches, and other lands in counties in the Great Plains area of the States of Colorado, Kansas, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming, designated by the Secretary as susceptible to serious wind or water erosion by reason of their soil types, terrain, and climatic, soil, topographic, flood, saline, other natural hazards, and other factors. The landowner or operator shall furnish to the Secretary a plan of farming operations or land use which incorporates such soil and water conservation practices and principles as may be determined by him to be practicable for maximum mitigation of climatic, soil, topographic, flood, saline, and other natural hazards of the area in which such land is located, and which outlines a schedule of proposed changes in cropping systems or land use and of the conservation measures which are to be carried out on the farm, ranch, or other land during the contract period to protect the farm, ranch, or other land from erosion and deterioration by natural causes. Such plan may also include practices and measures for (a) enhancing fish and wildlife and recreation resources, (b) promoting the economic use of land, and (c) reducing or controlling agricultural related pollution. Inclusion in the farm plan of these practices shall be the exclusive decision of the land owner or operator. Approved conservation plans of land owners and operators developed in cooperation with the soil

and water cosnervation district in which their lands are situated shall form a basis for contracts. Under the contract the land owner or operator shall agree—

(i) to effectuate the plan for his farm, ranch, or other land substantially in accordance with the schedule outlined therein unless any requirement thereof is waived or modified by the Secretary pursuant to paragraph (3) of this subsection;

(ii) to forfeit all rights to further payments or grants under the contract and refund to the United States all payments or grants received thereunder upon his violation of the contract at any stage during the time he has control of the land if the Secretary, after considering the recommendations of the soil and water conservation district board, determines that such violation is of such a nature as to warrant termination of the contract, or to make refunds or accept such payment adjustments as the Secretary may deem appropriate if he determines that the violation by the owner or operator does not warrant termination of the contract;

(iii) upon transfer of his right and interest in the farm, ranch, or other land during the contract period to forfeit all rights to further payments or grants under the contract and refund to the United States all payments or grants received thereunder unless the transferee of any such land agrees with the Secretary to assume all obligations of the contract;

(iv) not to adopt any practice specified by the Secretary in the contract as a practice which would tend to defeat the purposes of the contract;

(v) to such additional provisions as the Secretary determines are desirable and includes in the contract to effectuate the purposes of the program or to facilitate the practical administration of the program.

In return for such agreement by the landowner or operator the Secretary shall agree to share the cost of carrying out those conservation practices and measures set forth in the contract for which he determines that cost sharing is appropriate and in the public interest. The portion of such cost (including labor) to be shared shall be that part which the Secretary determines is necessary and appropriate to effectuate the physical installation of the conservation practices and measures under the contract;

(2) the Secretary may terminate any contract with a land owner or operator by mutual agreement with the owner or operator if the Secretary determines that such termination would be in the public interest, and may agree to such modification of contracts previously entered into as he may determine to be desirable to carry out the purposes of the program or facilitate the practical administration thereof or to accomplish equitable treatment with respect to other similar conservation, land use, or commodity programs administered by the Secretary;

SEC. 16(b)(3). * * *

SEC. 16(b)(4). * * *

* * * * * * *

(7) there is hereby authorized to be appropriated, without fiscala year limitations, such sums as may be necessary to carry out this subsection: *Provided,* That the total cost of the program (excluding administrative costs) shall not exceed [$600,000,000] *$1,200,000,000* and for any program year payments shall not exceed $50,000,000. The funds made available for the program under this subsection may be expended without regard to the maximum payment limitation and small payment increases required under section 8(e) of this Act, and may be distributed among States without regard to distribution of funds formulas of section 15 of this Act. The program authorized under this subsection shall be in addition to, and not in substitution of, other programs in such area authorized by this or any other Act.

SEC. 16(c). * * *

SEC. 16(d). * * *

* * * * * * *

(j) In the design and preparation of resource management systems under this section, the Secretary shall, where practicable, substitute more intensive management measures for structural measures.

(k) The Secretary shall collect and maintain data on a national and State by State basis concerning the resource, environmental and economic consequences of the assistance and applications provided under this section.

* * * * * * *

FARMLAND PROTECTION POLICY ACT

* * * * * * *

SEC. 1541. IDENTIFYING EFFECTS OF FEDERAL PROGRAMS ON CONVERSION OF FARMLAND TO NONAGRICULTURAL USES.—

(a) DEVELOPMENT OF CRITERIA TO IDENTIFY.—The Department of Agriculture, in cooperation with other departments, agencies independent commissions, and oher units of the Federal Government, shall develop criteria for identifying the effects of Federal programs on the conversion of farmland to nonagricultural uses.

(b) USE OF CRITERIA TO IDENTIFY.—Departments, agencies, independent commissions, and other units of the Federal Government shall use the criteria established under subsection (a) of this section, *to identify the quantity of farmland actually converted by Federal programs, and* to identify and take into account the adverse effects of Federal programs on the preservation of farmland; consider alternative actions, as appropriate, that could lessen such adverse effects; and assure that such Federal program, to the extent practicable, are compatible with State, unit of local government, and private programs and policies to protect farmland.

(c) AVAILABILITY OF RESTORATIVE, ETC., INFORMATION.—The Department of Agriculture may make available to States, units of local government, individuals, organizations, and other units of the Federal Government information useful in restoring, maintaining, and improving the quantity and quality of farmland.

* * * * * * *

WATERSHED PROTECTION AND FLOOD PREVENTION ACT

SECTION 1. * * *

SEC. 2. DEFINITIONS.—For the purposes of this chapter, the following terms shall mean:

The "Secretary"—the Secretary of Agriculture of the United States.

"Works of improvement"—any undertaking for—

(1) flood prevention (including structural and land treatment measures),

(2) the conservation, development, utilization, and disposal of water, or

(3) the conservation and proper utilization of land,

in watershed or subwatershed area not exceeding two hundred and fifty thousand acres and not including any single structure which provides more than twelve thousand five hundred acre-feet of floodwater detention capacity, and more than twenty-five thousand acre-feet of total capacity. No appropriation shall be made for any plan involving an estimated Federal contribution to construction costs in excess of $5,000,000, or which includes any structure which provides more than twenty-five hundred acre-feet of total capacity unless such plan has been approved by resolutions adopted by the appropriate committees of the Senate and House of Representatives: *Provided,* That in the case of any plan involving no single structure providing more than 4,000 acre-feet of total capacity the appropriate committees shall be the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives and in the case of any plan involving any single structure of more than 4,000 acre-feet of total capacity the appropriate committees shall be the Committee on Environment and Public Works of the Senate and the Committee on Public Works and Transportation of the House of Representatives, respectively. [Each such project submitted to the Committee on Environment and Public Works of the Senate and the Committee on Public Works and Transportation of the House of Representatives after July 1, 1987,] *Each project* must contain benefits directly related to agriculture, *including upstream rural communities,* that account for at least 20 percent of the total benefits of the project. A number of such subwatersheds when they are component parts of a larger watershed may be planned together when the local sponsoring organizations so desire.

"Local organization"—any State, political subdivision thereof, soil or water conservation district, flood prevention or control district, or combinations thereof, or any other agency having authority under State law to carry out, maintain and operate the works

of improvement; or any irrigation or reservoir company, water users' association, or similar organization having such authority and not being operated for profit that may be approved by the Secretary; or any Indian tribe or tribal organization, as defined in section 450b of title 25, having authority under Federal, State, or Indian tribal law to carry out, maintain, and operate the works of improvement.

SEC. 3. * * *

SEC. 3A. COST-SHARE ASSISTANCE.

(a) EASEMENTS.—

(1) IN GENERAL.—The Secretary may provide cost-share assistance to project sponsors to enable such sponsors to acquire perpetual wetland or floodplain conservation easements to perpetuate, restore and enhance the natural capability of wetlands and floodplains to retain excessive floodwaters, improve water quality and quantity, and to provide habitat for fish and wildlife.

(2) AMOUNT.—The Secretary shall require that project sponsors of watershed projects provide up to 50 percent of the cost of acquiring easements under paragraph (1).

SEC. 4. CONDITIONS FOR FEDERAL ASSISTANCE.—The Secretary shall require as a condition to providing Federal assistance for the installation of works of improvement that local organizations shall—

(1) acquire, or with respect to interests in land to be acquired by condemnation provide assurances satisfactory to the Secretary that they will acquire, without cost to the Federal Government from funds appropriated for the purposes of this chapter, such [land, easements, or rights-of-way] *lands, easements, rights-of-way, and dredged material disposal areas* as will be needed in connection with works of improvement installed with Federal assistance: *Provided,* That when a local organization agrees to operate and maintain any reservoir or other area included in a plan for public fish and wildlife or recreational development, the Secretary shall be authorized to bear not to exceed one-half of the costs of (a) the [land, easements, or rights-of-way] *lands, easements, rights-of-way, and dredged material disposal areas* acquired or to be acquired by the local organization for such reservoir or other area, and (b) minimum basic facilities needed for public health and safety, access to, and use of such reservoir or other area for such purposes: *Provided further,* That the Secretary shall be authorized to participate in recreational development in any watershed project only to the extent that the need therefor is demonstrated in accordance with standards established by him, taking into account the anticipated man-days of use of the projected recreational development and giving consideration to the availability within the region of existing waterbased outdoor recreational developments: *Provided further,* That the Secretary shall be authorized to participate in not more than one recreational development in a watershed project containing less than seventy-five thousand acres, or two such developments in a project containing between seventy-five thousand and one hundred and

fifty thousand acres, or three such developments in projects exceeding one hundred and fifty thousand acres: *Provided further,* That when the Secretary and a local organization have agreed that the immediate acquisition by the local organization of [land, easements, or rights-of-way] *lands, easements, rights-of-way, and dredged material disposal areas* is advisable for the preservation of sites for works of improvement included in a plan from encroachment by residential, commercial, industrial, or other development, the Secretary shall be authorized to advance to the local organization from funds appropriated for construction of works of improvement the amounts required for the acquisition of such [land, easements, or rights-of-way;] *lands, easements, rights-of-way, and dredged material disposal areas* and, except where such costs are to be borne by the Secretary, such advance shall be repaid by the local organization, with interest, prior to construction of the works of improvement, for credit to such construction funds: *Provided further,* That the Secretary shall be authorized to bear an amount not to exceed one-half of the costs of the [land, easements, or rights-of-way] *lands, easements, rights-of-way, and dredged material disposal areas* acquired or to be acquired by the local organization for mitigation of fish and wildlife habitat losses, and that such acquisition is not limited to the confines of the watershed project boundaries;

(2) assume (A) such proportionate share, as is determined by the Secretary to be equitable in consideration of national needs and assistance authorized for similar purposes under other Federal programs of the costs of installing any works of improvement, involving Federal assistance (excluding engineering costs), which is applicable to the agricultural phases of the conservation, development, utilization, and disposal of water or for fish and wildlife development, recreational development, ground water recharge, water quality management, or the conservation and proper utilization of land: *Provided,* That works of improvement for water quality management shall consist primarily of water storage capacity in reservoirs for regulation of streamflow, except that any such storage and water releases shall not be provided as a substitute for adequate treatment or other methods of controlling waste at the source, and shall be consistent with standards and regulations adopted by the Water Resources Council on Federal cost sharing for water quality management, and (B) all of the cost of installing any portion of such works applicable to other purposes [except that any part of the construction cost] *except that up to 100 percent of the construction cost* (including engineering costs) applicable to flood prevention and features relating thereto shall be borne by the Federal Government and paid for by the Secretary out of funds appropriated for the purposes of this chapter. *Provided,* That, in addition to and without limitation on the authority of the Secretary to make loans or advancements under section 1006a of this title, the Secretary may pay for any storage of water for present or anticipated future demands or needs for municipal or industrial water included in any reservoir structure constructed or modified under the provisions of

this chapter as hereinafter provided: *Provided further,* That the cost of water storage to meet future demands may not exceed 30 per centum of the total estimated cost of such reservoir structure and the local organization sha~~ll give~~ reasonable assurances, and there is evidence, that such demands for the use of such storage will be made within a period of time which will permit repayment within the life of the reservoir structure of the cost of such storage: *Provided further,* That the Secretary shall determine prior to initiation of construction or modification of any reservoir structure including such water supply storage that there are adequate assurances by the local organization or by an agency of the State having authority to give such assurances, that the Secretary will be reimbursed the cost of water supply storage for anticipated future demands, and that the local organization will pay not less than 50 per centum of the cost of storage for present water supply demands: *And provided further,* That the cost to be borne by the local organization for anticipated future demands may be repaid within the life of the reservoir structure but in no event to exceed fifty years after the reservoir structure is first used for the storage of water for anticipated future water supply demands, except that (1) no reimbursement of the cost of such water supply storage for anticipated future demands need be made until such supply is first used, and (2) no interest shall be charged on the cost of such water-supply storage for anticipated future demands until such supply is first used but in no case shall the interest-free period exceed ten years. The interest rate used for purposes of computing the interest on the unpaid balance shall be determined in accordance with the provisions of section 1006a of this title.

(3) make arrangements satisfactory to the Secretary for defraying costs of operating and maintaining such works of improvement, in accordance with regulations presented by the Secretary of Agriculture, *except that the local organization shall agree to provide 100 percent of the operation and maintenance costs of such projects*;

(4) acquire, or provide assurance that land-owners or water users have acquired, such water rights, pursuant to State law, as may be needed in the installation and operation of the work of improvement;

(5) obtain agreements to carry other recommended soil concervation measures and proper farm plans from owners of not less than 50 per centum of the land situated in the drainage area above each retention reservoir to be installed with Federal assistance; and

(6) submit a plan of repayment satisfactory to the Secretary for any loan or advancement made under the provisions of section 1006a of this title.

SEC. 13. DATA.

The Secretary shall collect and maintain data on a national and State by State basis concerning—

(1) expenditures for the individual flood control and conservation measures that receiving assistance under this Act; and

(2) the expected flood control or environmental (including soil erosion) benefits that will result from the implementation of such measures.

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

TITLE III OF THE AGRICULTURAL ACT OF 1961

(Public Law 87-128; 75 Stat. 294)

SEC. 301. (a) * * *

* * * * * * *

Subtitle A—Real Estate Loans

SEC. 302 (a) The Secretary is authorized to make and insure loans this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations, partnerships, and joint operations that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case or cooperatives, corporations, partnerships, and joint operations, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations *including at least 3 years of farm or ranch training or experience (of which at least 1 year must be farming or ranching experience) during the 5-year immediately preceding the date on which the application of the person for the loan is submitted,* (3) be or will become owner-operators of not larger than family farms (or in the case of cooperatives, corporations, partnerships, and joint operations in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the owership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively large than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this section, in the case of corporations, partnerships, and joint operations, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an ownership and operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the

entity in the case of cooperatives, corporations, partnerships, and joint operations.

(b) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 303 solely to borrowers of loans that are outstanding on the date of enactment of the Food Security Act of 1985.

* * * * * * *

SEC. 304. [(a) Loans may also be made or insured under this subtitle to any farmowners or tenants without regard to the requirements of section 302 (1), (2), and (3) for the purposes only of land and water development, use and conservation, not including recreational uses and facilities, and without regard to the requirements of section 302 (2) and (3), to farmowners or tenants to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this title.] *(a) Loans may also be made or insured under this subtitle to any farmowner or tenant eligible for loans under this subtitle for the purpose of soil and water conservation and protection for—*

(1) the installation of conservation structures, including terraces, sod waterways, permanently vegetated stream borders and filter strips, windbreaks (tree or grass), shelterbelts, and living snow fences;

(2) a forest cover for sustained yield timber management, erosion control, or shelterbelt purposes;

(3) an establishment or improvement of permanent pastures;

(4) costs of complying with section 212 of the Food Security Act of 1985 (16 U.S.C. 3812); and

(5) other purposes consistent with soil and water conservation plans, integrated farm management plants, water quality enhancement plans, and wildlife habitat enhancement plant.

(b) Loans may also be made or insured under this subtitle to residents of rural areas without regard to the requirements of clauses (2) and (3) of section 302 to acquire or establish in rural areas small business enterprises to provide such residents with essential income.

(c) Loans may also be made or insured under this subtitle to any farmowners or tenants without regard to the requirements of clauses (1), (2), and (3) of section 302 of this title for the purposes of meeting Federal, State, or local requirements for agricultural, animal, or poultry waste pollution abatement and control facilities, including the construction, modification, or relocation of farm or other structures necessary to comply with such pollution abatement requirements.

* * * * * * *

SEC. 307. (a)(1) The period for repayment of loans under this subtitle shall not exceed forty years.

(2) Except as otherwise provided in paragraphs (3), (4), (5), and (6) of this subsection, the interest rates on loans under this subtitle shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity com-

parable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(3)(A) Except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjusted to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median family income of the persons to be served by such facility is below the poverty line prescribed by the Office of Management and Budget as adjusted under section 624 of the Economic Opportunity Act of 1964 (42 U.S.C. 2971d) and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary; and not in excess of 7 per centum per annum on loans for such facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide nonmetropolitan median household income.

(B) Except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans) under section 310D of this title shall be as determined by the Secretary, but not in excess of one-half of the current average market yield on outstanding marketable obligations of the United States with [remaining periods to maturity comparable to the average maturities of such loans, nor less than 5 per centum per annum.] *maturities of 5 years, in addition to an amount determined appropriate by the Secretary that shall not exceed 1 percent per year, and in no event shall the rate be less than 5 percent per year.*

(4) Except as provided in paragraph (6), the interest rates on loans under sections 304(b), 306(a)(1), and 310B of this title (other than guaranteed loans and loans as described in paragraph (3) of this subsection) shall be as determined by the Secretary, but not less than such rates as determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted in the judgment of the Secretary of the Treasury to provide for rates comparable to the rates prevailing in the private market for similar loans and considering the Secretary's insurance of the loans, plus an additional charge, prescribed by the Secretary, to cover the Secretary's losses and cost of administration, which charge shall be deposited in the Rural Development Insurance Fund, and further adjusted to the nearest one-eighth of 1 per centum.

(5) The interest rate on any loan made under this subtitle as a guaranteed loan shall be such rate as may be agreed upon by the borrower and the lender, but not in excess of a rate as may be determined by the Secretary.

(6)(A) Notwithstanding any other provision of this section, in the case of loans (other than guaranteed loans) made or insured under the authorities of this Act specified in subparagraph (B) for activities that involve the use of prime farmland as defined in subparagraph (C), the interest rates shall be the interest rates otherwise applicable under this section increased by 2 per centum per annum. Wherever practicable, construction by a State, municipality, or other political subdivision of local government that is supported by loans described in the preceding sentence shall be placed on land that is not prime farmland, in order to preserve the maximum practicable amount of prime farmlands for production of food and fiber. Where other options exist for the siting of such construction and where the governmental authority still desires to carry out such construction on prime farmland, the 2 per centum interest rate increase provided by this clause shall apply, but such increased interest rate shall not apply where such other options do not exist.

(B) The authorities referred to in subparagraph (A) are—

(i) clauses (2) and (3) of section 303(a),

(ii) the provisions of section 304(a) relating to the financing of outdoor recreational enterprises or the conversion of farming or ranching operations to recreational uses,

(iii) section 304(b),

(iv) the provisions of section 306(a)(1) relating to loans for recreational developments and essential community facilities,

(v) section 306(a)(15),

(vi) clause (1) of section 310B(a),

(vii) subsections (d) and (e) of section 310B, and

(viii) section 310D(a) as it relates to the making or insuring of loans under clauses (2) and (3) of section 303(a).

(C) For purposes of this paragraph, the term "prime farmland" means prime farmlands and unique farmland as those terms are defined in sections 657.5 (a) and (b) of title 7, Code of Federal Regulations (1980).

(b) The borrower shall pay such fees and other charges as the Secretary may require, and borrowers under the title shall prepay to the Secretary such taxes and insurance as the Secretary may require, on such terms and conditions as the Secretary may prescribe.

(c) The Secretary shall take as security for the obligations entered into in connection with loans, mortgages on farms with respect to which such loans are made or such other security as the Secretary may require, and for obligations in connection with loans to associations under section 306, shall take liens on the facility or such other security as he may determine to be necessary. Such security instruments may constitute liens running to the United States notwithstanding the fact that the notes may be held by lenders other than the United States. A borrower may use the same collateral to secure two or more loans made, insured, or guaranteed

under this subtitle, except that the outstanding amount of such loans may not exceed the total value of the collateral so used.

(d) With respect to a farm ownership loan made after the date of the enactment of this subsection, unless appraised values of the rights to oil, gas, or other minerals are specifically included as part of the appraised value of collateral securing the loan, the rights to oil, gas, or other minerals located under the property shall not be considered part of the collateral securing the loan. Nothing in this subsection shall prevent the inclusion of, as part of the collateral securing the loan, any payment or other compensation the borrower may receive for damages to the surface of the collateral real estate resulting from the exploration for or recovery of minerals.

(e) The Secretary may not—

(1) require any borrower to provide additional collateral to secure a farmer program loan made or insured under this title, if the borrower is current in the payment of principal and interest on the loan; or

(2) bring any action to foreclose, or otherwise liquidate, any such loan as a result of the failure of a borrower to provide additional collateral to secure a loan, if the borrower was current in the payment of principal and interest on the loan at the time the additional collateral was requested.

* * * * * * *

SEC. 310C. (a) Rural Housing Loans which (1) are guaranteed by the Secretary under section 517(a)(2) of the Housing Act of 1949, (2) are made by other lenders approved by the Secretary to provide dwellings in rural areas for the applicants' own use, and (3) bear interest and other charges at rates not above the maximum rates prescribed by the Secretary of Housing and Urban Development for loans made by private lenders for similar purposes and guaranteed by the Secretary of Housing and Urban Development under the National Housing Act or superseding legislation shall not be subject to sections 501(c) and 502(b)(3) of the Housing Act of 1949.

(b) For the purpose of title V of the Housing Act of 1949, as amended, *or this title* a guarantee of payments given under the color of law by the Department of Hawaiian Home Lands (or its successor in function) shall be found by the Secretary reasonably to assure repayment of any indebtedness so guaranteed.

SEC. 310D. (a) The Secretary is authorized to make and insure loans for any of the purposes referred to in clauses (1) through (5) of section 303(a) of this title, *or in paragraphs (1) through (5) of section 304(a),* to farmers and ranchers in the United States who (1) are citizens of the United States, (2) meet the requirements of clauses (2) through (4) of section 302, (3) are unable to obtain sufficient credit under section 302 of this title to finance their actual needs, (4) are owners or operators of small or family farms (including new owners or operators), (5) are farmers or ranchers with a low income, and (6) demonstrate a need to maximize their income from farming or ranching operations. The Secretary is also authorized to make such loans to any farm cooperative or private domestic corporation or partnership that is controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States if all of its members, stockholders, or part-

ners, as applicable, are citizens of the United States and the entity and all such members, stockholders, or partners meet the requirements of clauses (2) through (6) of the preceding sentence.

(b) Each loan made or insured under this section shall be repayable in such installments as the Secretary determines will provide for reduced payments during the initial repayment period of the loan and larger payments during the remainder of the repayment period of the loan.

Subtitle B—Operating Loans

SEC. 311. (a) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and farm cooperatives and private domestic corporations, partnerships, and joint operations that are controlled by farmers and ranchers and engaged primarily and diretly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, partnerships, and joint operations, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations *including at least 3 years of farm or ranch training or experience (of which at least 1 year must be farming or ranching experience) during th 5-year period immediately preceding the date on which the application of the person for the loan is submitted*, (3) be or will become operators of not larger than family farms (or in the case of co-operatives, corporations, partnerships, and joint operations in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will be become an operator of not larger than a family farm or, in the case of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this subsection, in the case of corporations, partnerships, and joint operations, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity in the case of cooperatives, partnerships, and joint operations.

(b)(1) Loans may also be made under this subtitle without regard to the requirements of clauses (2) and (3) of subsection (a) to youths

who are rural residents to enable them to operate enterprises in connection with their participation in 4-H Clubs, Future Farmers of America, and similar organizations and for the purposes specified in section 312.

(2) A person receiving a loan under this subsection who executes a promissory note therefor shall thereby incur full personal liability for the indebtedness evidenced by such note in accordance with its terms free of any disability of minority.

(3) For loans under this subsection the Secretary may accept the personal liability of a cosigner of the promissory note in addition to the borrowers' personal liability.

(c) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 312 solely to borrowers of loans that are outstanding on the date of enactment of the Food Security Act of 1985.

* * * * * * *

SEC. 312. (a) Loans may be made under this subtitle for (1) paying costs incident to reorganizing the farming system for more profitable operation, (2) purchasing livestock, poultry, and farm equipment (including equipment which utilizes solar energy), (3) purchasing feed, seed, fertilizer, insecticides, and farm supplies and to meet other essential farm operating expenses including cash rent, (4) financing land and water development, use, and conservation, (5) without regard to the requirements of section 311 (2) and (3), to farmers or ranchers to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this title, (6) enterprises needed to supplement farm income, (7) refinancing existing indebtedness, (8) other farm and home needs including but not limited to family subsistence, (9) loan closing costs, (10) for assisting farmers or ranchers in effecting additions to or alterations in the equipment, facilities, or methods of operation of their farms or ranches in order to comply with the applicable standards promulgated pursuant to section 6 of the Occupational Safety and Health Act of 1970 or standards adopted by a State pursuant to a plan approved under section 18 of the Occupational Safety and Health Act of 1970, if the Secretary determines that any such farmer or rancher is likely to suffer substantial economic injury due to such compliance without assistance under this paragraph, (11) assisting farmers and ranchers in reducing their dependence on nonrenewable energy resources through the development and construction of solar energy systems, including the modification of existing systems. For the purposes of this subtitle, the term "solar energy" means energy derived from sources (other than fossil fuels) and technologies included in the Federal Non-nuclear Energy Research and Development Act of 1974, as amended, [and] (12) training in maintaining records of farming and ranching operations for limited resource borrowers receiving loans under section 310D, *and (13) borrower training received under section 359.*

* * * * * * *

SEC. 316. (a)(1) The Secretary shall make all loans under this subtitle upon the full personal liability of the borrower and upon such

security as the Secretary may prescribe. The interest rates on such loans, except for guaranteed loans and loans as provided in paragraphs (2) and (3), shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus an additional charge not to exceed 1 per centum as determined by the Secretary, which charge shall be deposited in the Rural Development Insurance Fund or the Agricultural Credit Insurance Fund, as appropriate, and adjusted to the nearest one-eighth of 1 per centum. The interest rate on any guaranteed loan made under this subtitle shall be such rate as may be agreed upon by the borrower and lender, but not in excess of a rate as may be determined by the Secretary.

[(2) The interest rate on any loan (other than a guaranteed loan) to a low-income, limited resource borrower under this subtitle shall be the interest rate otherwise applicable under this section reduced by 3 per centum per annum.]

(2) The interest rate on any loan (other than a guaranteed loan) to a low-income, limited resource borrower under this subtitle shall be determined by the Secretary, but shall not be in excess of one-half of the current average market yield on outstanding marketable obligations of the United States with maturities of 5 years, in addition to an amount determined appropriate by the Secretary that shall not exceed 1 percent per year, and in no event shall the rate be less than 5 percent per year.

(3) The interest rate on any loan (other than a guaranteed loan) made or insured under clause (5) of section 312(a) for activities that involve the use of prime farmland as defined insection 307(a)(6)(C) shall be the interest rate otherwise applicable under this section increased by 2 per centum per annum.

(b) Loans made under this subtitle shall be payable in not to exceed seven years. The Secretary may consolidate or reschedule outstanding loans for payment over a period not to exceed seven years (or, in the case of loans for farm operating purposes, fifteen years) from the date of such consolidation or rescheduling, and the amount of unpaid principal and interest of the prior loans so consolidated or rescheduled shall not create a new charge against any loan levels authorized by law. A new loan may be included in a consolidation. Such new loan shall be charged against any loan level authorized by law. Except as otherwise provided for farm loans under section 331B of this title, the interest rate on such consolidated or rescheduled loans, other than guaranteed loans, may be changed by the Secretary to a rate not to exceed the rate being charged for loans made under this subtitle at the time of the consolidation or rescheduling. The interest rate on any guaranteed loan under this subtitle that may be consolidated or rescheduled for payment shall be such rate as may be agreed upon by the borrower and the lender, but not in excess of a rate as may be determined by the Secretary.

* * * * * * *

Subtitle D—Administration Provisions

SEC. 331. For the purposes of this title and for the administration of assets under the jurisdiction of the Secretary of Agriculture pursuant to the Farmers Home Administration Act of 1946, as amended, the Bankhead-Jones Farm Tenant Act, as amended, the Act of August 28, 1937, as amended by the Act of April 6, 1949, as amended, the Act of August 28, 1937, as amended, the act of April 6, 1949, as amended, the Act of August 31, 1954, as amended, and the powers and duties of the Secretary under any other Act authorizing agricultural credit, the Secretary may assign and transfer such powers, duties and assets to the Farmers Home Administration, to be headed by an Administrator, appointed by the President, by and with the advice and consent of the Senate, with out regard to the civil service laws or the Classification Act of 1949, as amended, who shall receive basic compensation as provided by law for that office.

The Secretary may—

(a) administer his powers and duties through such national, area, State, or local offices and employees in the United States as he determined to be necessary and may authorize an office to serve the area composed of two or more States if he determines that the volume of business in the area is not sufficient to justify separate State offices, and until January 1, 1975, make contracts for services incident to making, insuring, collecting, and servicing loans and property as determined by the Secretary to be necessary for carrying out the purposes of this title; (and the Secretary shall prior to June 30, 1974, report to the Congress through the President on the experience in using such contracts, together with recommendations for such legislation as he may see fit);

(b) accept and utilize voluntary and uncompensated services, and, with the consent of the agency concerned, utilize the officers, employees, equipment, and information of any agency of the Federal Government, or of any State, territory, or political subdivision;

(c) within the limits of appropriations made therefor, make necessary expenditures for purchases or hire of passenger vehicles, and such other facilities and services as he may from time to time find necessary for the proper administration of this Act;

(d) compromise, adjust reduce, or charge-off debts or claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Farmers Home Administration [under any of it programs, as circumstances may require, to carry out this title]. The Secretary may not require liquidation of property securing any farmer program loan or acceleration of any payment required under any farmer program loan as a prerequisite to initiating an action authorized under this subsection. The Secretary may release borrowers or others obligated on a debt [incurred under this title] from personal liability with or without payment of any consideration at the time of the

compromise, adjustment, reduction, or charge-off of any claim may be made or carried out—

(1) *with respect to farmer program loans,* on terms more favorable than those recommended by the appropriate county committee utilized pursuant to section 332; or

(2) after the claim has been referred to the Attorney General, unless the Attorney General approves;

(e) collect all claims and obligations [arising or] administered [under this title] *by the Farmers Home Administration* or under any mortgage, lease, contract, or agreement entered into or administered [pursuant to this title] *by the Farmers Home Administration* and, if in his judgment necessary and advisable, pursue the same to final collection in any court having jurisdiction;

* * * * * * *

(f) [Release] *release* mortgage and other contract liens if it appears that they have no present or prospective value or that their enforcement likely would be ineffectual or uneconomical;

(g) [Obtain] *obtain* fidelity bonds protecting the Government against fraud and dishonesty of officers and employees of the Farmers Home Administration in lieu of faithful performance of duties bonds under section 14, title 6, United States Code, and regulations issued pursuant thereto, but otherwise in accordance with the provisions thereof:

[(h) Not require borrowers to pay interest accrued after December 31, 1972, on interest which is not more than 90 days overdue on any loan held or insured by the Farmers Home Administration;]

[(i)] *(h)* [Consent] *consent* to (1) long-term leases of facilities financed under this title notwithstanding the failure of the lessee to meet any of the requirements of this title if such long-term leases are necessary to ensure the continuation of services for which financing was extended to the lessor, and (2) the transfer of property securing any loan or financed by any loan or grant made, insured, or held by the Secretary under this title, or the provisions of any other law administered by the Farmers Home Administration, upon such terms as he deems necessary to carry out the purpose of the loan or grant or to protect the financial interest of the Government, *and shall document the consent of the Secretary for the transfer of the property of a borrower in the file of the borrower;* and

[(j)] *(i)* notwithstanding that an area ceases, or has ceased, to be "rural", in a "rural area", or an eligible area, make loans and grants, and approve transfers and assumptions, under this title on the same basis as though the area still was rural in connection with property securing any loan made, insured, or held by the Secretary under this title or in connection with any property held by the Secretary under this title.

* * * * * * *

SEC. 331D. NOTICE OF LOAN SERVICE PROGRAMS.

(a) REQUIREMENT.—The Secretary shall provide notice by certified mail to each borrower who is at least 180 days delinquent in

the payment of principal or interest on a loan made or insured under this title.

(b) CONTENTS.—The notice required under subsection (a) shall—

(1) include a summary of all primary loan service programs, preservation loan service programs, *debt settlement programs,* and appeal procedures, including the eligibility criteria, and terms and conditions of such programs and procedures;

(2) include a summary of the manner in which the borrower may apply, and be considered, for all such programs, except that the Secretary shall not require the borrower to select among such programs or waive any right in order to be considered for any program carried out by the Secretary;

(3) advise the borrower regarding all filing requirements and any deadlines that must be met for requesting loan servicing;

(4) provide any relevant forms, including applicable response forms;

(5) advise the borrower that a copy of regulations is available on request; and

(6) be designed to be readable and understandable by the borrower.

(c) CONTAINED IN REGULATIONS.—All notices required by this section shall be contained in the regulations implementing this title.

(d) TIMING.—The notice described in subsection (b) shall be provided—

(1) at the time an application is made for participation in a loan service program;

(2) on written request of the borrower; and

(3) before the earliest of—

(A) initiating any liquidation;

(B) requesting the conveyance of security property;

(C) accelerating the loan;

(D) repossessing property;

(E) foreclosing on property; or

(F) taking any other collection action.

(e) CONSIDERATION OF BORROWERS FOR LOAN SERVICE PROGRAMS.—The Secretary shall consider a farmer program borrower for all loan service programs if, within [45] *60* days after receipt of the notice required in this section, the borrower requests such consideration in writing. In considering a borrower for loan service programs, the Secretary shall place the highest priority on the preservation of the borrower's farming operations.

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SEC. 331F. UNDERWRITING FORMS AND STANDARDS.

In the administration of this title, the Secretary shall, to the extent practicable, use underwriting forms, standards, practices, and terminology similar to the forms, standards, practices, and terminology used by lenders in the private sector.

SEC. 332. (a)(1) In each county or area in which activities are carried out under this title, there shall be a county committee composed of three members. Two members shall be elected, from among their number, by farmers who reside within the county or area, and one member, who shall reside within the county or area, shall be appointed by the Secretary for a term of three years. At

the first election of county committee members under this subsection, one member shall be elected for a term of one year and one member shall be elected for a term of two years. Thereafter, elected members of the county committee shall be elected for a term of three years. The Secretary, in selecting the appointed member of the county committee, shall ensure that, to the greatest extent practicable, the committee is fairly representative of the farmers in the county or area. The Secretary may appoint an alternate for each member of the county committee. Appointed and alternate members of the county committee shall be removable by the Secretary for cause. The Secretary shall issue such regulations as are necessary relating to the election and appointment of members and alternate members of the county committees before conducting any county committee election. The Secretary shall publish any regulation promulgated under this subsection.

(2) The Secretary shall ensure that farmers have—

(A) at least 45 days to submit nominations following general public notice of any procedure by which to submit nominations for county committee elections in each county; and

(B) at least 30 days after general public notice of an election in each county, before the election is held.

(3) Any farmer eligible for a loan made or insured under subtitle A shall be eligible to serve as an elected or appointed county committee member, subject to section 336(c).

(4) Not more than one farmer eligible for a loan made or insured under subtitle A may serve on a county committee at the same time. *The appointment of a farmer who is eligible for a loan made or insured under this title by the Secretary to a county committee shall not preclude the election of such a farmer to the county committee.*

(5) For purposes of this subsection, the term "farmer" shall include the spouse of a farmer otherwise eligible under this section.

(6) The Secretary shall provide for the mailing of ballots to persons eligible to vote for the election of county committee members if the mailing of the ballots coincides with the mailing of ballots by the Agricultural Stabilization and Conservation Service.

(b) The rates of compensation, the number of days per month each member may be paid, and the amount to be allowed for necessary travel and subsistence expenses, shall be determined and paid by the Secretary.

(c) The committee shall meet on the call of the chairman elected by the committee or on the call of such other person as the Secretary may designate. Two members of the committee shall constitute a quorum. The Secretary shall prescribe rules governing the procedure of the committees and their duties, furnish forms and equipment necessary, and authorize and provide for the compensation of such clerical assistance as he finds may be required by any committee.

(d)(1) The Secretary shall provide annual training of county committee members on the job responsibilities of the members under this title.

(2) The Secretary shall develop and provide a county committee training manual to all county committee members and shall update

the manual in a timely manner to reflect changes in law or regulations.

SEC. 333. In connection with loans made or insured under this title, the Secretary shall require—

(a) the applicant (1) to certify in writing, and the Secretary shall determine, that he is unable to obtain sufficient credit elsewhere to finance his actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time, and (2) to furnish a written statement showing the applicant's net worth;

(b) except for loans under sections 306, 310B, 314, and 321(a)(2), the county committee to certify in writing that the applicant meets the eligibility requirements for the loan, and has the character, industry, and ability to carry out the proposed operations, and will, in the opinion of the committee, honestly endeavor to carry out his undertakings and obligations; and for loans under sections 306, 310B, 314, and 321(a)(2), the Secretary shall require the recommendation of the county committee as to the making or insuring of the loan: *Provided,* That the Secretary may provide a procedure for appeal and review of any determination relating to a certification or recommendation required to be made by the county committee, and for reversal or modification thereof should the facts warrant such action, *and the certification of eligibility under this subsection shall continue in effect for a 2-year period or for such other period as the committee may determine appropriate;*

* * * * * * *

SEC. 333A. (a)(1) The Secretary shall approve or disapprove an application for a loan or loan guarantee made under this title, and notify the applicant of such action, not later than 60 days after the Secretary has received a complete application for such loan or loan guarantee.

(2) If an application for a loan or loan guarantee under this title is incomplete, the Secretary shall inform the applicant of the reasons such application is incomplete not later than 20 days after the Secretary has received such application.

(3) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, the Secretary shall state the reasons for the disapproval in the notice required under paragraph (1).

(4)(A) Notwithstanding paragraph (1), each application for a loan or *loan guarantee under section 310B(a) that is to be disapproved by the Secretary solely beause the Secretary lacks the necessary amount of funds to make the loan or guarantee shall not be disapproved but shall be placed in pending status.*

(B) The Secretary shall retain the pending application and reconsider the application beginning on the date that sufficient funds become available.

(C) Not later than 60 days after funds become available regarding each pending application, the Secretary shall notify the applicant of the approval or disapproval of funding for the application.

* * * * * * *

SEC. 333B. (a) The Secretary shall provide an applicant for or borrower of a loan, or an applicant for or recipient of a loan guarantee, under this title who has been directly and adversely affected by a decision of the Secretary made under this title (hereafter in this section referred to as the "appellant") with written notice of the decision, an opportunity for an informal meeting, and an opportunity for a hearing with respect to such decision, in accordance with regulations issued by the Secretary consistent with this section.

* * * * * * *

(h) Except as provided in subsection (e)(3) and in the regulations of the Secretary governing the right of the Secretary to seek review of appeal decisions under this title, a county committee or employee of the Farmers Home Administration shall, on having a case returned pursuant to the decision of a hearing officer, State director, or the director of the national appeals division, implement the decision within a reasonable period of time.

* * * * * * *

SEC. 335. (a) The Secretary is authorized and empowered to make advances, without regard to any loan or total indebtedness limitation, to preserve and protect the security for or the lien or priority of the lien securing any loan or other indebtedness owing to, insured by, or acquired by the Secretary under this title or under any other programs administered by the Farmers Home Administration; to bid for and purchase at any execution, foreclosure, or other sale or otherwise to acquire property upon which the United States has a lien by reason of a judgment or execution arising from, or which is pledged, mortgaged, conveyed, attached, or levies upon to secure the payment of, any such indebtedness whether or not such property is subject to other liens, to accept title to any property so purchased or acquired; and to sell, manage, or otherwise dispose of such property as hereinafter provided.

(b) Except as provided in subsection (e), real property administrated under the provisionss of this title may be operated or leased by the Secretary for such period or periods as the Secretary may deem necessary to protect the Government's investment therein.

(c)(1) Except as provided in subsection (e), the Secretary may determine whether real property administered under this title is suitable for disposition to persons eligible for assistance under the provisions of any law administered by Farmers Home Administration. The County Committee shall classify or reclassify real property (including real property administered by the Secretary on the date of the enactment of this sentence) that is farmland, as being suitable for farming operation for such disposition unless the property, including property subdivided in accordance with subsection (e)(5), cannot be used to meet any of the purposes of section 303 (including being used as a start-up or add-on parcel of farmland). Any property which the Secretary determines to be suitable for such

purposes shall, whenever practicable, be sold by the Secretary as expeditiously as possible to such eligible persons in a manner consistent with such provisions hereof. Real property which is not determined suitable for sale to such eligible persons or which has not been purchased by such persons within a period of [three years from the date of acquisition] *12 months from the date first published under paragraph (2)(D)*, shall be sold by the Secretary after public notice at public sale and, if no acceptable bid is received then by negotiated sale, at the best price obtainable for cash or on secured credit without regard to the laws governing the disposition of excess or surplus property of the United States. The terms of such sale shall require an initial downpayment and the remainder of the sale price payable in installments with interest on unpaid balance at the rate determined by the Secretary, but not in any event at rates and terms more favorable than those legally permissible for eligible borrowers, other than easements acquired under section 349. Any conveyances under this section shall include all of the interest of the United States, including mineral rights. Notwithstanding the preceding sentence, the Secretary may for conservation purposes grant or sell an easement, restriction, development rights, or the equivalent thereof, to a unit of local or State government or a private nonprofit organization separately from the underlying fee or sum of all other rights possessed by the United States.

(2) Notwithstanding any other provision of law, the Secretary shall sell suitable farm land administered under this subtitle to operators (as of the time immediately after such contract for sale or lease is entered into) of not larger than family sized farms, as determined by the county committee. In selling such land, the county committee shall—

(A) grant a priority to persons eligible for loans under subtitle A, including individuals approved for, but who, as of the date of the enactment of this paragraph, have not yet received, such loans;

(B) offer suitable land at a price not greater than that which reflects the appraised market value of such land;

(C) select from among qualified applicants the applicant who has the greatest need for farm income and best meets the criteria for eligibility to receive loans under subtitle A, *except that if the committee determines that two or more applicants meet the loan eligiblity criteria, the committee may select between the qualified applicants on a random basis*; and

(D) publish or caused to be published three consecutive weekly announcements at least twice annually of the availability of such farmland, in at least one newspaper that is widely circulated in the county in which the land is located until the property is sold.

(d) With respect to any real property administered under this title, the Secretary is authorized to grant or sell easements or rights-of-way for roads, utilities, and other appurtenances not inconsistent with the public interest. With respect to any rights-of-way over land on which the United States has a lien administered under this title, the Secretary may release said lien upon payment to the United States of adequate consideration, and the interest of

the United States arising under any such lien may be acquired for highway purposes by any State or political subdivision thereof in condemnation proceedings under State law by service by certified mail upon the United States attorney for the district, the State Director of the Farmers Home Administration for the State in which the farm is located, and the Attorney General of the United States: *Provided, however,* That the United States shall not be required to appear, answer, or respond to any notice or writ sooner than ninety days from the time such notice or writ is returnable or purports to be effective, and the taking or vesting of title to the interest of the United States shall not become final under any proceeding, order, or decree until adequate compensation and damages have been finally determined and paid to the United States or into the registry of the court.

(e)(1)(A)(i) During the 180-day period beginning on the date of acquisition, or during the applicable period under State law, the Secretary shall allow the borrower from whom the Secretary acquired [real property] *real farm or ranch property (including the principal residence of the borrower)* used to secure any loan made to the borrower under this title (hereinafter referred to in this paragraph as the "borrower-owner") to purchase or lease such property.

(ii) The period for the purchase or lease of real property described under clause (i), by a person described in clauses (i) or (ii) of subparagraph (C), shall expire 190 days after the date of acquisition, or after the applicable period under State law.

(iii) The rights regarding the purchase or lease of real property provided by this paragraph and accorded a person described in subparagraph (C) may be freely and knowingly waived by such person.

(B) Any purchase or lease under subparagraph (A) shall be on such terms and conditions as are established in regulations promulgated by the Secretary.

(C) The Secretary shall give preference in the sale or lease, with option to purchase, of property that has been foreclosed, purchased, redeemed, or otherwise acquired by the Secretary to persons in the following order:

(i) The immediate previous borrower-owner of the acquired property.

(ii) If actively engaged in farming—

(I) the spouse or child of the previous borrower-owner; or

(II) a stockholder in the corporation, if the borrower-owner is a corporation held exclusively by members of the same family.

(iii) The immediate previously family size farm operator of such acquired property.

(iv) Qualified beginning farmers or ranchers.

[(iv)] *(v)* Operators (as of the time immediately after such sale or lease is entered into) of not larger than family-size farms.

(D)(i) If—

(I) the real property described in subparagraph (A)(i) is located within an Indian reservation,

(II) the borrower-owner is the Indian tribe that has jurisdiction over the reservation in which the real property is located or the borrower-owner is a member of such Indian tribe, and

(III) the period in which the right to purchase or lease such real property provided in clauses (i) and (ii) of subparagraph (A) has expired,

the Secretary shall dispose of or administer the property only as provided for in this subparagraph.

(ii) For purposes of this subparagraph, the term "Indian reservation" means all land located within the limits of any Indian reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation; trust or restricted land located within the boundaries of a former reservation of a federally recognized Indian tribe in the State of Oklahoma; or all Indian allotments the Indian titles to which have not been extinguished if such allotments are subject to the jurisdiction of a federally recognized Indian tribe.

(iii) The Secretary shall, within 90 days after the expiration of the period for which the right to purchase or lease real property described in clause (i) is provided in clauses (i) and (ii) of subparagraph (A), afford an opportunity to purchase or lease the real property in accordance with the order of priority established under clause (iv) by the Indian tribe having jurisdiction over the Indian reservation within which the real property is located or, if no order of priority is established by such Indian tribe under clause (iv), in the following order:

(I) to an Indian member of the Indian tribe that has jurisdiction over the reservation within which the real property is located;

(II) to an Indian corporate entity;

(III) to such Indian tribe.

(iv) The governing body of any Indian tribe having jurisdiction over an Indian reservation may revise the order of priority provided in clause (iii) under which lands located within such reservation shall be offered for purchase or lease by the Secretary under clause (iii) and may restrict the eligibility for such purchase or lease to—

(I) persons who are members of such Indian tribe,

(II) Indian corporate entities that are authorized by such Indian tribe to lease or purchase lands within the boundaries of such reservation, or

(III) such Indian tribe itself.

(v) If real property described in clause (i) is not purchased or leased under clause (iii) and the Indian tribe having jurisdiction over the reservation within which the real property is located is unable to purchase or lease the real property, the Secretary shall transfer the real property to the Secretary of the Interior who shall administer the real property as if the real property were held in trust by the United States for the benefit of such Indian tribe. From the rental income derived from the lease of the transferred real property, and all other income generated from the transferred real property, the Secretary of the Interior shall pay those State, county, municipal, or other local taxes to which the transferred real property was subject at the time of acquisition by the Secretary, until the earlier of—

(I) the expiration of the 4-year period beginning on the date on which the real property is so transferred, or

(II) such time as the lands are transferred into trust pursuant to clause (viii).

(vi) At any time any real property is transferred to the Secretary of the Interior under clause (v), the Secretary of Agriculture shall be deemed to have no further responsibility under this Act for collection of any amounts with regard to the farm program loan which had been secured by such real property, nor with regard to any lien arising out of such loan transaction, nor for repayments of any amount with regard to such loan transactions or liens to the Treasury of the United States, and the Secretary of the Interior shall be deemed to have succeeded to all right, title and interest of the Secretary of Agriculture in such real estate arising from the farm program loan transaction, including the obligation to remit to the Treasury of the United States, in repayment of the original loan, those amounts provided in clause (vii).

(vii) After the payment of any taxes which are required to be paid under clause (v), all remaining rental income derived from the lease of the real property transferred to the Secretary of the Interior under clause (v), and all other income generated from the real property transferred to the Secretary of the Interior under clause (v), shall be deposited as miscellaneous receipts in the Treasury of the United States until the amount deposited is equal to the lesser of—

(I) the amount of the outstanding lien of the United States against such real property, as of the date the real property was acquired by the Secretary;

(II) the fair market value of the real property, as of the date of the transfer to the Secretary of the Interior; or

(III) the capitalized value of the real property, as of the date of the transfer to the Secretary of the Interior.

(viii) When the total amount that is required to be deposited under clause (vii) with respect to any real property has been deposited into the Treasury of the United States, title to the real property shall be held in trust by the United States for the benefit of the Indian tribe having jurisdiction over the Indian reservation within which the real property is located.

(ix) Notwithstanding any other clause of this subparagraph, the Indian tribe having jurisdiction over the Indian reservation within which the real property described in clause (i) is located may, at any time after the real property has been transferred to the Secretary of the Interior under clause (v), offer to pay the remaining amount on the lien, or the fair market value of the real property, whichever is less. Upon payment of such amount, title to such real property shall be held by the United States in trust for the tribe and such trust or restricted lands that have been acquired by the Secretary under foreclosure or voluntary transfer under a loan made or insured under this title and transferred to an Indian person, entity, or tribe under the provisions of this subparagraph shall be deemed to have never lost trust or restricted status.

(x) This subparagraph shall apply to all lands in the land inventory established under this title (as of the date of enactment of this clause) that were (immediately prior to such date) owned by an Indian borrower-owner described in clause (i) and that are situated within an Indian reservation (as defined in clause (ii)), regardless of

the date of foreclosure or acquisition by the Secretary. The Secretary shall afford an opportunity to a tribal member, an Indian corporate entity, or the tribe to purchase or lease the real property as provided in clause (iii). If the right is not exercised or no expression of intent to exercise is received within 180 days after the date of enactment of this clause, the Secretary shall transfer the real property to the Secretary of the Interior as provided in clause (v).

(E) The rights provided in this subsection shall be in addition to any such right of first refusal under the law of the State in which the property is located.

(2) The Secretary shall not offer for sale or sell an such farmland if the placing of such farmland on the market will have a detrimental effect on the value of farmland in the area.

(3)(A) The Secretary shall issue regulations providing for leasing such land, or leasing such land with an option to purchase, on a fair and equitable basis.

(B) In leasing such land, the Secretary shall determine if the lessee has financial resources, and farm management skills and experience, that the Secretary determines are sufficient to assure a reasonable prospect of success in the proposed farming operation.

(C) To the extent the Secretary may lease and operate real property under this subsection, the Secretary shall, if the Secretary determines to administer such property through management contracts, offer the contracts on a competitive bid basis, giving preference to persons who will live in, and own and operate qualified small businesses in, the area where the property is located.

(D) The Secretary may enter into a contract with a borrower of a farmer program loan made or insured under this title, to provide for the subsequent sale or lease of land that will be acquired from the borrower in the future, before the Secretary takes possession of such land.

(4)(A)(i) The Secretary may sell farmland administered under this title through an installment sale or similar device that contains such terms as the Secretary considers necessary to protect the investment of the Federal Government in such land.

(ii) The Secretary may subsequently sell any contract entered into to carry out clause (i).

(B) The Secretary shall offer such land for sale to operators of not larger than family-size farms at [a price that reflects the average annual income that may be reasonably anticipated to be genertaed from farming] *the appraised fair market value of* such land.

(C) If two or more qualified operators of not larger than family-size farms desire to purchase, or lease with an option to purchase, such land, the appropriate county committee [shall, by majority vote,] *shall randomly* select the operator who may purchase such land, on such basis as the Secretary may prescribe by regulation, *in accordance with subsection (c)(2)(C).*

(5)(A) If the Secretary determines that farmland administered under this chapter is not suitable for sale or lease to persons eligible for a loan made or insured under subtitle A because such farmland is in a tract or tracts that the Secretary determines to be larger than that necessary for such eligible persons, the Secretary shall, to the greatest extent practicable, subdivide such land into tracts suitable for sale under subsection (c). Such land shall be sub-

divided into parcels of land the shape and size of which are suitable for farming, the value of which shall not exceed the individual loan limits as prescribed under section 305.

(B) The Secretary shall dispose of such subdivided farmland in accordance with this subsection.

(6) If suitable farmland is available for disposition under this subsection, the Secretary shall—

(A) publish an announcement of the availability of such farmland in at least one newspaper that is widely circulated in the county in which the farmland is located;

(B) post an announcement of the availability of such farmland in a prominent place in the local office of the Farmers Home Administration that serves the county in which the farmland is located; and

(C) provide written notice reasonably calculated to inform the immediate previous owner or immediate previous family-size farm operator of such farmland, of the availability of such farmland.

(7) In the case of farmland administered under this title that is highly erodible land (as defined in section 1201 of the Food Security Act of 1985), the Secretary may require the use of specified conservation practices on such land as a condition of the sale of such land.

(8) Notwithstanding any other provisions of law, compliance by the Secretary with this subsection shall not cause any acreage allotment, marketing quota, or acreage base assigned to such property to lapse, terminate, be reduced, or otherwise be adversely affected.

(9) Denials of applications for or disputes over terms and conditions of a lease or purchase agreement under this section are appealable under section 333B.

(10) In the event of any conflict between any provision of this subsection and any provision of the law of any State providing a right of first refusal to the owner of farmland or the operator of a farm before the sale or lease of land to any other person, such provision of State law shall prevail.

(f)(1) As used in this subsection, the term "normal income security" means all security not considered basic security, including crops, livestock, poultry products, Agricultural Stabilization and Conservation Service payments and Commodity Credit Corporation payments, and other property covered by Farmers Home Administration liens that is sold in conjunction with the operation of a farm or other business, but shall not include any equipment (including fixtures in States that have adopted the Uniform Commercial Code), or foundation herd or flock, that is the basis of the farming or other operation, and is the basic security for a Farmers Home Administration farmer program loan.

(2) The Secretary shall release from the normal income security provided for such loan an amount sufficient to pay for the essential household and farm operating expenses of the borrower, until such time as the Secretary accelerates such loan.

(3) A borrower whose account was accelerated on or after November 1, 1985, and on or before May 7, 1987, but not thereafter foreclosed on or liquidated, shall be entitled to the release of security

income for a period of 12 months, to pay the essential household and farm operating expenses of such borrower in an amount not to exceed $18,000 over 12 months, if such borrower—

(A) as of October 30, 1987, continued to be actively engaged in the farming operations for which the Secretary had made the farmer program loan; and

(B) as of the deadline for responding to the notice provided for under paragraph (5), requests restructuring of such loans pursuant to section 353.

(4) The county committee in the county in which borrower's land is located shall determine whether the borrower has complied with the requirements of paragraph (3)(A).

(5)(A) Within 45 days after the date of the enactment of this subsection, the Secretary shall provide to the borrowers described in paragraph (3) notice by certified mail of the right of such borrowers to apply for the benefits under such paragraph.

(B) Releases under such paragraph shall be made to qualified borrowers who have responded to the notice within 30 days after receipt.

(C) Within 12 months after a borrower has requested restructuring under section 353, the Secretary shall make a final determination on the request. Notwithstanding the 12-month limitation provided for in paragraph (3), releases shall continue to be made to the borrower until a denial or dismissal of the application of the borrower for restructuring under section 353 is made. The amount of essential household and farm operating expenses which may be released to any borrower eligible for such releases after 12 months may exceed $18,000, by an amount proportionate to the period of time beyond 12 months before a final determination is made by the Secretary.

(6) If a borrower is required to plan for or to report on how proceeds from the sale of collateral property will be used, the Secretary shall—

(A) notify the borrower of such requirement; and

(B) notify the borrower of the right to the release of funds under this section and the means by which a request for the funds may be made.

(7) The Secretary shall issue regulations consistent with this section that—

(A) ensure the release of funds to each borrower; and

(B) establish guidelines for releases under paragraph (3), including a list of expenditures for which funds will normally be released.

(g)(1) Subject to paragraph (2), in disposing of real property under this section, the Secretary shall establish wetland conservation easements to protect and restore wetlands.

(2) In establishing wetland conservation easement areas involving croplands in existence on the date of enactment of this subsection, the Secretary shall avoid, to the extent practicable, a negative impact on productive croplands.

(3) To avoid a negative impact on productive cropland, wetland conservation easements shall be limited to real property where—

(A) the lands of the affected easement area are labeled as a wetland, farmed wetland, or prior converted or converted wet-

land, as determined by the Secretary for purposes of carrying out subtitle C of title XII of the Food Security Act of 1985 (16 U.S.C. 3821 et seq.), except that in no case shall the easements placed on—

(i) prior converted wetlands exceed 10 percent of the existing cropland available for production on the inventory property; and

(ii) frequently cropped wetlands exceed 20 percent of the existing cropland available for production on the inventory property;

(B) the adjacent buffer area to the wetland should be generally not more than 100 feet in average width; and

(C) access to other portions of the property for farming and other uses is provided.

(4) The Secretary shall provide prior written notification to a borrower considering preservation loan servicing that a wetland conservation easement may be placed on land for which the borrower will be negotiating a lease or lease option.

(5) The appraised value of the farm shall reflect the value of the land due to the placement of wetland conservation eastments.

(6) Notwithstanding the limitations described under paragraph (3), the limitations may be voluntarily knowingly waived by any person with respect to real property described in paragraph (3)(A)(i).

(7) In determining the net recovery value of the farmer program real estate security, the benefits associated with wetland easements shall be considered to be at least equal to the costs associated with wetland easements.

* * * * * * *

SEC. 343. (a) As used in this title (1) the term "farmers" shall be deemed to include persons who are engaged in, or who, with assistance afforded under this title, intend to engage in, fish farming, and (2) the term "farming" shall be deemed to include fish farming, (3) the term "owner-operator" shall include in the State of Hawaii the lessee-operator of real property in any case in which the Secretary determines that such real property cannot be acquired in fee simple by such lessee-operator, that adequate security is provided for the loan with respect to such real property for which such lessee-operator applies under this title, and that there is a reasonable probability of accomplishing the objectives and repayment of such loan, and (4) the word "insure" as used in this title includes guarantee, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary, (5) the term contract of insurance includes a contract of guarantee, (6) the terms "United States" and "State" shall include each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and, to the extent the Secretary determines it to be feasible and appropriate, the Trust Territory of the Pacific Islands, [and] (7) the term "joint operation" means a joint farming operation in which two or more farmers work together sharing equally or unequally land, labor, equipment, expenses, and income, *(8) the term "beginning farmer or rancher" means such term as de-*

fined by the Secretary, (9) ther term "direct loan" means a loan made or insured from funds in the account created by section 309, and (10) the term "farmer program loan" means a farm ownership loan (FO), operating loan (OL), soil and water loan (SW), recreation loan (RL), emergency loan (EM), economic emergency loan (EE), economic opportunity loan (EO), special livestock loan (SL), softwood timber loan (ST), or rual housing loan for farm service buildings (RHF).

* * * * * * *

SEC. 346. (a) Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subtitle of this title during each three-year period thereafter shall not exceed such amounts as may be authorized by law after the date of enactment of this section. There shall be two amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this title, one against which direct and insured loans shall be charged and the other against which guaranteed loans shall be charged, with or without authority for the Secretary to transfer amounts between such categories within a given program for more effective administration.

[(b)(1)(A) For each of the fiscal years ending September 30, 1986, through September 30, 1988, real estate and operating loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund establilshed under section 309 in an amount equal to $4,000,000,000, of which not less than $520,000,000 shall be for farm ownership loans under subtitle A.

[(B) Subject to subparagraph (C), such amount shall be apportioned as follows:

[(i) For the fiscal year ending September 30, 1986—

[(I) $2,000,000,000 for insured loans, of which not less than $260,000,000 shall be for farm ownership loans; and

[(II) $2,000,000,000 for guaranteed loans, of which not less than $260,000,000 shall be for guarantees of farm ownership loans.

[(ii) For the fiscal year ending September 30, 1987—

[(I) $1,500,000,000 for insured loans, of which not less than $195,000,000 shall be for farm ownership loans; and

[(II) $2,500,000,000 for guaranteed loans, of which not less than $325,000,000 shall be for guarantees of farm ownership loans.

[(iii) For the fiscal year ending September 30, 1988—

[(I) $1,000,000,000 for insured loans, of which not less than $130,000,000 shall be for farm ownership loans; and

[(II) $3,000,000,000 for guaranteed loans, of which not less than $390,000,000 shall be for guarantees of farm ownership loans.

[(C) For each of the fiscal years referred to in subparagraph (A), the Secretary may transfer not more than 25 percent of the amounts authorized for guaranteed loans to amounts authorized for insured loans.

[(D)(i) For each of the fiscal years 1986, 1987, and 1988, emergency loans may be made or insured or guaranteed in accordance with subtitle C from the Agricultural Credit Insurance Fund as follows: $1,300,000,000 for fiscal year 1986, $700,000,000 for fiscal year 1987, and $600,000,000 for fiscal year 1988.

[(E) Loans for each of the fiscal years 1986, 1987, and 1988 are authorized to be insured, or made to be sold and insured, or guaranteed under the Rural Development Insurance Fund as follows:

[(i) Insured water and waste disposal facility loans, $340,000,000.

[(ii) Industrial development loans, $250,000,000.

[(iii) Insured community facility loans, $115,000,000.]

(b)(1)(A) For each of the fiscal years ending September 30, 1991, through September 30, 1995, real estate and operating loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund established under section 309 in amounts equal to the following levels:

(i) for the fiscal year ending September 30 1991, $4,175,000,000, of which not less than $827,000,000 shall be for farm ownership loans under subtitle A;

(ii) for the fiscal year ending September 30, 1992, $4,343,000,000, of which not less than $861,000,000 shall be for farm ownership loans under subtitle A;

(iii) For the fiscal year ending September 30, 1993, $4,516,000,000, of which not less than $895,000,000 shall be for farm ownership loans under subtitle A;

(iv) for the fiscal year ending September 30, 1994, $4,697,000,000, of which not less than $931,000,000 shall be for farm ownership loans under subtitle A;

(v) for the fiscal year ending September 30, 1995, $4,885,000,000, of which not less than $968,000,000 shall be for farm ownership loans under subtitle A.

(B) Subject to subparagraph (C), such amounts set foth in suparagraph (A) shall be apportioned as follows:

(i) For the fiscal year ending September 30, 1991—

(I) $1,019,000,000 for insured loans, of which not less than $83,000,000 shall be for farm ownership loans; and

(II) $3,156,000,000 for quaranteed loans, of which not less than $744,000,000 shall be for guarantees of farm ownership loans.

(ii) For the fiscal year ending September 30, 1992—

(I) $1,060,000,000 for insured loans, of which not less than $87,000,000 shall be for farm ownership loans; and

(II) $3,283,000,000 for guaranteed loans, of which not less than $774,000,000 shall be for guarantees of farm ownership loans.

(iii) For the fiscal year ending September 30, 1993—

(I) $1,102,000,000 for insured loans, of which not less than $90,000,000 shall be for farm ownership loans; and

(II) $3,414,000,000 for guaranteed loans, of which not less than $805,000,000 shall be for guarantees of farm ownership loans.

(iv) For the fiscal yer ending September 30, 1994—

(I) $1,147,000,000 for insured loans, of which not less than $94,000,000 shall be for farm ownership loans; and

(II) $3,550,000,000 for guaranteed loans, of which not less than $837,000,000 shall be for guarantees of farm ownership loans.

(v) For the fiscal year ending September 30, 1995—

(I) $1,192,000,000 for insured loans, of which not less than $97,000,000 shall be for farm ownership loans; and

(II) $3,693,000,000 for guaranteed loans, or which not less than $871,000,000 shall be for guarantees of farm ownership loans.

(C) Notwithstanding any other provision of law, in addition to any amounts otherwise made available to carry out the interest rate reduction program established under section 351 (7 U.S.C. 1999), the Secretary shall transfer from amounts otherwise made available for insured loans, to amounts made available to carry out such section 351, $100,000,000 for fiscal year 1991, $200,000,000 for fiscal year 1992, and $300,000,000 for each of the fiscal years 1993 through 1995.

(c) The Secretary shall develop long-term cost projections for loan program authorizations required under subsection (a) of this section. Each such projection shall include analyses of (1) the long-term costs of the lending levels that the Secretary requests to be authorized under subsection (a) of this section and (2) the long-term costs for increases in lending levels beyond those requested to be authorized, based on increments of $10,000,000 or such other levels as the Secretary deems appropriate. Long-term cost projections for the three-year period beginning with fiscal year 1983 and each three-year period thereafter shall be submitted to the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropriations at the time the requests for authorizations for those periods are submitted to Congress. Not later than fifteen days after the date of enactment of this subsection the Secretary shall submit to such committees long-term cost projections covering authorized lending levels for the loan programs for fiscal years 1981 and 1982.

(d)(1) Notwithstanding any other provision of law, not less than 25 per centum of the loans for farm ownership purposes under subtitle A of this title, and not less than 25 per centum of the loans for farm operating purposes under subtitle B of this title, authorized to be insured, or made to be sold and insured, from the Agrucultural Credit Insurance Fund during each fiscal year shall be for low-income, limited-resource borrowers.

(2) The Secretary shall provide notification to farm borrowers under this title, as soon as practicable after the date of enactment of the Emergency Agricultural Credit Act of 1984 and in the normal course of loan making and loan servicing operations, of the provisions of this title relating to low-income, limited-resource borrowers and the procedures by which persons may apply for loans under the low-income, limited-resource borrower program.

* * * * * * *

SEC. 349. (a) For purposes of this section:

(1) The term "governmental entity" means any agency of the United States, a State, or a unit of local government of a State.

(2) The terms "highly erodible land" and "wetland" have the meanings, respectively, that such terms are given in section 1201 of the Food Security Act of 1985.

(3) The term "wildlife" means fish or wildlife as defined in seciton 2(a) of the Lacey Act Amendments of 1981 (16 U.S.C. 3371(a)).

(5) The term "recreational purposes" includes hunting.

(b) Subject to subsection (c), the Security may acquire and retain an easement in real property, for a term of not lesss than 50 years, for conservation, recretional, and wildlife purposes.

(c) Such easement may be acquired or retained for real property if such property—

(1) is wetland, upland, or highly erodible land;

(2) is determined by the Secretary to be suitable for the purposes involved;

(3)(A)(i) secures any loans made under law administered by the Farmer Home Administration and held by the Secretary; and

[(ii) the borrower of such loan is unable, as determined by the Secretary, to repay such loan in a timely manner, or]

(ii) such an easement better enables a qualified borrower to repay the loan in a timely manner, as determined by the Secretary

(B) is administered under this title by the Secretary; and

(4) was (except in the case of wetland and other wildlife habitat) row cropped each year of the 3-year period ending on the date of enactment of the Food Security Act of 1985.

(d) The terms and conditions specified in each such easement shall—

(1) specify the purposes for which such real property may be used;

(2) indentify the conservation measures to be taken, and the recreational and wildlife uses to be allowed, with respect to such real property; and

(3) require such owner to permit the Secretary, and any person or governmental entity designated by the Secretary, to have access to such real property for the purpose of monitoring compliance with such easement.

[(e) Any such easement acquired by the Secretary shall be purchased from the borrower involved by canceling that part of the aggregate amount of such outstanding loans of the borrower held by the Secretary under law administratered by the Farmers Home Administration that bears the same ratio to the aggregate amount of the outstanding loans of such borrower held by the Secretary under all such laws as the number of acres of the real property of such borrower that are subject to such easement bears to the aggregate number of acres securing such loans. In no case shall the amount so cancelled exceed the value of the land on which the easement is acquired or the difference between the amount of the outstanding loan secured by the land and the current value of the land, whichever is greater.]

(e)(1) Any such easement acquired by the Secretary shall be purchased from the borrower involved by canceling that part of the aggregate amount of the outstanding loans or by reducing the principal of a new loan issued and held by the Secretary under a law administered by the Farmers Home Administration that bears the same ratio to the aggregate amount of the outstanding loans or the principal of the new loan held by the Secretary under all such laws as the number of acres of the real property of the borrower that are subject to the easement bears to the aggregate number of acres securing the loans.

(2) In no case shall the amount so canceled, in the case of delinquent loans, exceed—

(A) the value of the land on which the easement is acquired or the difference between the amount of the outstanding loan secured by the land and the value of the land, whichever is greater; or

(B) in the case of nondelinquent loans, 33 percent of the amount of the loan secured by the land.

(f) If the Secretary elects to use the authority provided by this section, the Secretary shall consult with the Director of the Fish and Wildlife Service for purposes of—

(1) selecting real property in which the Secretary may acquire easements under this section;

(2) formulating the terms and conditions of such easements; and

(3) enforcing such easements.

(g) The Secretary, and any person or governmental entity designated by the Secretary, may enforce an easement acquired by the Secretary under this section.

[(h) This section shall not apply with respect to the cancellation of any part of any loan that was made after the date of enactment of the Food Security Act of 1985.]

* * * * * * *

SEC. 351. (a) The Secretary shall establish and carry out in accordance with this section an interest rate reduction program for loans guaranteed under this title.

(b) Under such program, the Secretary shall enter into a contract with, and make payments to, a legally organized institution to reduce during the term of such contract the interest rate paid by a borrower on a guaranteed loan made by such institution if—

(1) the borrower—

(A) is unable to obtain sufficient credit elsewhere to finance the actual needs of the borrower at reasonable rates and terms, taking into consideration private and cooperative rates and terms for a loan for a similar purpose and period of time in the community in or near which the borrower resides;

(B) is otherwise unable to make payments on such loan in a timely manner; and

(C) has a total estimated cash income during the 24-month period beginning on the date such contract is entered into (including all farm and nonfarm income) that will equal or exceed the total estimated cash expenses to be incurred by

the borrowing during such period (including all farm and nonfarm expenses); and

(2) the lender reduces during the terms of such contract the annual rate of interest payable on such loan by a minimum percentage specified in such contract.

(c) In return for a contract entered into by a lender under subsection (b) for the reduction of the interest paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than [50 percent] *100 percent* of the cost of reducing the annual rate of interest payable on such loan, except that such payments may not exceed the cost of reducing such rate by more than [2 percent] *4 percent*.

(d) The term of a contract entered into under this section to reduce the interest rate on a guaranteed loan may not exceed the outstanding term of such loan[, or 3 years, whichever is less].

(e)(1) Notwithstanding any other provision of this title, the Agricultural Credit Insurance Fund established under section 309 may be used by the Secretary to carry out this section.

(2) The total amount of funds used by the Secretary to carry out this section may not exceed $490,000,000.

SEC. 353. DEBT RESTRUCTURING AND LOAN SERVICING.

(a) IN GENERAL.—The Secretary shall modify delinquent farmer program loans made or insured under this title, or purchased from the lender or the Federal Deposit Insurance Corporation under section 309B, to the maximum extent possible—

(1) to avoid losses to the Secretary on such loans, with priority consideration being placed on writing-down the loan principal and interest (subject to subsections (d) and (e)), and debt set-aside (subject to subsection (e)), whenever these procedures would facilitate keeping the borrower on the farm or ranch, or otherwise through the use of primary loan service programs as provided in this section; and

(2) to ensure that borrowers are able to continue farming or ranching operations.

(b) ELIGIBILITY.—To be eligible to obtain assistance under subsection (a)—

(1) the delinquency must be due to circumstances beyond the control of the borrower, as defined in regulations issued by the Secretary, *except that the regulations shall require that, if the value of the assets calculated under subsection (c)(1)(C) that may be realized through liquidation or other methods would produce enough income to make the delinquent loan current, the borrower shall not be eligible for assistance under subsection (a)*;

(2) the borrower must have acted in good faith with the Secretary in connection with the loan as defined in regulations issued by the Secretary;

(3) the borrower must present a preliminary plan to the Secretary that contains reasonable assumptions that demonstrate that the borrower will be able to—

(A) meet the necessary family living and farm operating expenses; and

(B) service all debts, including those of the loans restructured; and

(4) the loan, if restructured, must result in a net recovery to the Federal Government, during the term of the loan as restructured, that would be more than or equal to the net recovery to the Federal Government from an involuntary liquidation or foreclosure on the property securing the loan.

(c) RESTRUCTURING DETERMINATIONS.—

(1) DETERMINATION OF NET RECOVERY.—In determining the net recovery from the involuntary liquidation of a loan under this section, the Secretary shall calculate—

(A) the recovery value of the collateral securing the loan, in accordance with paragraph (2); [and]

(B) the value of the restructured loan, in accordance with paragraph (3)[.] *; and*

(C) the value of the assets not included in the calculation of the recovery value under paragraph (2)(A) that—

(i) are not essential to the support of the family or the sound operations of the borrower; and

(ii) are not exempt from judgment creditors or in a bankruptcy action under Federal or State law.

(2) RECOVERY VALUE.—For the purpose of paragraph (1), the recovery value of the collateral securing the loan shall be based on—

(A) the amount of the current appraised value of the property securing the loan; less

(B) the estimated administrative, legal, and other expenses associated with the liquidation and disposition of the loan and collateral, including—

(i) the payment of prior liens;

(ii) taxes and assessments, depreciation, management costs, the yearly percentage decrease or increase in the value of the property, and lost interest income, each calculated for the average holding period for the type of property involved;

(iii) resale expenses, such as repairs, commissions, and advertising; and

(iv) other administrative and attorney's costs.

(3) VALUE OF THE RESTRUCTURED LOAN.—

(A) IN GENERAL.—For the purpose of paragraph (1), the value of the restructured loan shall be based on the present value of payments that the borrower would make to the Federal Government if the terms of such loan were modified under any combination of primary loan service programs to ensure that the borrower is able to meet such obligations and continue farming operations.

(B) PRESENT VALUE.—For the purpose of calculating the present value referred to in subparagraph (A), the Secretary shall use a discount rate of not more than the current rate on 90-day Treasury bills.

(C) DEBT SERVICE MARGIN.—

(i) ASSUMPTION.—In calculating the ability of a borrower to meet debt obligations and continue farming operations under paragraph (1), the determination of

the Secretary shall be based on the assumption that the borrower needs up to 105 percent of the amount indicated for loan payments.

(ii) AVAILABLE INCOME.—The Secretary shall consider the income of the borrower to be adequate for the payment of debt only when an amount that equals up to 105 percent of debt payments has been earmarked for the payments.

(4) NOTIFICATION.—Within [60] *90* days after receipt of a written request for restructuring from the borrower, the Secretary shall—

(A) make the calculations specified in paragraphs (2) and (3);

(B) notify the borrower in writing of the results of such calculations; and

(C) provide documentation for the calculations.

(5) RESTRUCTURING OF LOANS.—If the value of the restructuring loan is greater than or equal to the recovery value, the Secretary shall, within 45 days after notifying the borrower of such calculations, offer to restructure the loan obligations of the borrower under this title through primary loan service programs that would enable the borrower to meet the obligations (as modified) under the loan and to continue the farming operations of the borrower. If the borrower accepts such offer, within 45 days after receipt of notice of acceptance, the Secretary shall restructure the loan accordingly.

[(6) TERMINATION OF LOAN OBLIGATIONS.—If the value of the restructured loan is less than the recovery value and if, within 45 days after receipt of the notification described in paragraph (4)(B), the borrower pays (or obtains third-party financing to pay) the Secretary an amount equal to the recovery value, the obligations of the borrower to the Secretary under the loan shall terminate, except that the Secretary may require, as a condition of such termination of loan obligations, that the borrower enter into an agreement with the Secretary if the borrower sells or otherwise conveys the real property used to secure such loan within 2 years after the date of such agreement. Any such agreement shall provide for the recapture of part or all of the difference between the recovery value of the loan and the fair market value (on the date of such agreement) of the property securing the loan if the borrower realizes a gain on the sale or conveyance over the amount of the recovery value of the loan. In no event shall any such agreement provide for recapture of an amount that exceeds the difference between such recovery value and the fair market value of the property securing the loan on the date of such agreement.]

(6) TERMINATION OF LOAN OBLIGATIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the obligations of a borrower to the Secretary under a restructured loan shall terminate if—

(i) the borrower satisfies the requirements of paragraphs (1) and (2) of subsection (b);

(ii) the value of the restructured loan is less than the recovery value; and

(iii) within 90 days after receipt of the notification described in paragraph (4)(B), the borrower pays (or obtains third-party financing to pay) the Secretary an amount equal to the recovery value.

(B) SHARED APPRECIATION AGREEMENTS.—

(i) IN GENERAL.—The Secretary may require, as a condition of the termination of loan obligations, that the borrower enter into a shared appreciation agreement, that meets the requirements of paragraphs (2) and (3), and subparagraphs (A) and (C) of paragraph (4), of subsection (e), except that the agreement shall be based on the difference between the net recovery value of the property paid by the borrower and the fair market value at the time of recapture.

(ii) INTERFAMILY TRANSFERS.—For purposes of clause (i), transfer of title to a spouse or child who is actively engaged in farming on the death or retirement of the borrower shall not be treated as a sale or transfer.

(C) LIMITATION ON ASSISTANCE.—A borrower who does not satisfy the requirements of paragraphs (1) and (2) of subsection (b) shall not be entitled to priority in the lease or purchase of property under subsection (c) or (e) of section 335, or to homestead protection under section 352.

(7) APPLICATION AND DATA COLLECTION.—

(A) APPLICATION.—The prerequisite that the delinquency is due to circumstances beyond the control of the borrower and that a buyer act in good faith to be eligible for the termination of loan obligations under paragraph (6) shall not apply to offers of net recovery buyout made by the Secretary under this section prior to the date of enactment of this paragraph, except that the prerequisite shall apply, prior to such date, to borrowers determined (prior to such date) by the Secretary not to have acted in good faith with respect to the loan.

(B) DATA COLLECTION.—The Secretary shall collect and make available in a timely fashion, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, information on—

(i) the number of borrowers who have applied for debt restructuring who are alleged, or who have been shown, to have acted in bad faith;

(ii) the number of applications for net recovery buyout that are being held due to bad faith allegations;

(iii) the number of subsequent appeals to or reversals by the national appeals division of bad faith determinations that have occurred because of the implementation of paragraphs (1)(B) and (2) of subsection (b);

(iv) the amount of time required for the processing of net recovery buyout requests;

(v) the number of borrowers who have applied for debt restructuring after the date of issuance of the first

notice of the availability of loan servicing programs that—

(I) have not been offered restructuring options by the Secretary; and

(II) have not received a notice of intent to accelerate or to continue acceleration, a notice of borrowers' rights, and forms for the making of responses to the notice of the intent of the Farmers Home Administration to accelerate or continue acceleration; and

(vi) the number of bad faith allegations that have been submitted to or by the State Directors in connection with farmer program loans.

(8) NEGOTIATION OF APPRAISAL.—

(A) IN GENERAL.—In making a determination concerning restructuring under this subsection, the Secretary, at the request of the borrower, shall enter into negotiations concerning appraisals required under this subsection with the borrower.

(B) INDEPENDENT APPRAISAL.—If the borrower, based on a separate current appraisal, objects to the decision of the Secretary regarding an appraisal, the borrower and the Secretary shall mutually agree, to the extent practicable, on an independent appraiser who shall conduct another appraisal of the borrower's property. The average of the two appraisals that are closest in value shall become the final appraisal under this paragraph. The borrower and the Secretary shall each pay one-half of the cost of the independent appraisal.

* * * * * * *

(l) PARTIAL LIQUIDATIONS.—If partial liquidations are performed (with the prior consent of the Secretary) as part of loan servicing by a guaranteed lender under this title, the Secretary shall not require full liquidation of a delinquent loan in order for the lender to be eligible to receive payment on losses.

(m) DISPOSITION OF NORMAL INCOME SECURITY.—For purposes of subsection (b)(2), if a borrower—

(1) disposed of normal income security prior to October 14, 1988, without the consent of the Secretary; and

(2) demonstrates that—

(A) the proceeds were utilized to pay essential household and farm operating expenses; and

(B) the borrower would have been entitled to a release of income proceeds by the Secretary if the regulations in effect on the date of enactment of this subsection had been in effect at the time of the disposition,

the Secretary shall not consider the borrower to have acted without good faith to the extent of the disposition.

(n) SUBSEQUENT WRITE-DOWNS AND NET RECOVERY BUY-OUTS.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, no borrower who has received a write-down or net recovery buy-out under this section shall be eligible for a subsequent write-down or net recovery buy-out.

(2) DISASTERS.—If a borrower receives a write-down or net recovery buy-out and becomes delinquent on a farmer program loan as the result of a major disaster or emergency designated by the President under the Disaster Relief Act of 1974 (42 U.S.C. 5121 et seq.) that occurred during the current or previous calendar year, the borrower may be given a subsequent write-down or net recovery buy-out.

(3) EXISTING BORROWERS.—A borrower who received a write-down prior to the date of enactment of this subsection and becomes delinquent may be given a subsequent write-down in an amount not to exceed a sum that, when added to the initial write-down, would equal the amount that would have been written down if the initial write-down had been calculated on the basis of a required debt service margin of 105 percent.

(o) LIQUIDATION OF ASSETS.—No write-downs or net recovery buy-outs provided under this section shall result in the reduction or termination of any portion of the debt of the borrower that the borrower could pay through the liquidation of assets, or through the payment of the loan value of the assets if the value is greater than the liquidation value, that the Secretary determines are not essential to the operation of the farm or for the payment of the essential living expenses of the borrower and the family of the borrower.

(p) DEBT FORGIVENESS LIMITATION.—Debt forgiveness provided under this section to any one borrower shall not exceed a total of $350,000.

* * * * * * *

SEC. 355. TARGET PARTICIPATION RATES.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary shall establish annual target participation rates, on a county wide basis, that shall ensure that members of socially disadvantaged groups will receive loans made or insured under subtitle A and will have the opportunity to purchase or lease inventory farmland.

(2) GROUP POPULATION.—In establishing such target rates the Secretary shall take into consideration the portion of the population of the county made up of such groups, and the availability of inventory farmland in such county.

(b) RESERVATION AND ALLOCATION.—

(1) RESERVATION.—The Secretary shall, to the greatest extent practicable, reserve sufficient loan funds made available under subtitle A, for use by members of socially disadvantaged groups identified under target participation rates established under subsection (a).

(2) ALLOCATION.—The Secretary shall allocate such loans on the basis of the proportion of members of socially disadvantaged groups in a county and the availability of inventory farmland, with the greatest amount of loan funds being distributed in the county with the greatest proportion of socially disadvantaged group members and the greatest amount of available inventory farmland.

(3) INDIAN RESERVATIONS.—In distributing loan funds in counties within the boundaries of an Indian reservation, the Secretary shall allocate the funds on a reservation-wide basis.

* * * * * * *

SEC. 359. BORROWER TRAINING.

(a) IN GENERAL.—The Secretary shall enter into contracts to provide educational training to all borrowers of farmer program direct and guaranteed loans made under this title in financial and farm management concepts associated with commercial farming.

(b) CONTRACT.—

(1) IN GENERAL.—The Secretary may contract with State or private farm management and credit counseling services (including a community college, the extension service of a State, a State department of agriculture, or a nonprofit organization) to carry out this section.

(2) CONSULTATION.—The Secretary may consult with the chief executive office of a State concerning the identity of the contracting organization and the process for contracting.

(c) ELIGIBILITY FOR LOANS.—

(1) IN GENERAL.—Subject to paragraph (2), to be eligible to obtain a direct or guaranteed loan under this title, a borrower must obtain management assistance under this section, based on the management ability of the borrower (as determined by the appropriate county committee established pursuant to section 332, during the determination of eligibility for the loan).

(2) LOAN CONDITIONS.—The need of a borrower who satisfies the criteria set out in sections 302(a)(2) or 311(a)(2) for management assistance under this section shall not be cause for denial of eligibility of the borrower for a direct or guaranteed loan under this title.

(d) GUIDELINES AND CURRICULUM.—The Secretary shall issue regulations establishing guidelines and curriculum for the borrower training program established under this section.

(e) PAYMENT.—A borrower shall pay for training received under this section, and may use funds from operating loans made under subtitle B to pay for the training.

(f) WAIVERS.—The Secretary may waive the requirements of this section for an individual borrower on a determination by the county committee that the borrower demonstrates adequate knowledge in areas described in this section.

SEC. 360. LOAN ASSESSMENTS.

(a) IN GENERAL.—After an applicant is determined eligible for assistance under this title by the appropriate county committee established pursuant to section 332, the Secretary shall evaluate, in accordance with regulations issued by the Secretary, the farming plan and financial situation of each qualified farmer or rancher applicant.

(b) DETERMINATIONS.—In evaluating the farming plan and financial situation of an applicant under this section, the Secretary shall determine—

(1) the amount that the applicant will need to borrow to carry out the proposed farming plan;

(2) the rate of interest that the applicant would need to be able to cover expenses and build an adequate equity base;

(3) the goals of the proposed farming plan of the applicant;

(4) the financial viability of the plant and any changes that are necessary to make the plan viable; and

(5) whether assistance is necessary under this title and, if so, the amount of the assistance.

(c) CONTRACT.—The Secretary may contract with a third party (including those entities eligible to provide borrower training under section 359(b)) to conduct loan assessments under this section.

(d) REVIEW OF LOANS.—

(1) IN GENERAL.—Loan assessments conducted under this section shall include biannual review of direct loans, and periodic review (as determined necessary by the Secretary) of guaranteed loans, made under this title to assess the progress of a borrower in meeting the goals for the farm or ranch operation.

(2) CONTRACTS.—The Secretary may contract with an entity that is eligible to provide borrower training under section 359(b) to conduct loan reviews under paragraph (1).

(3) PROBLEM ASSESSMENTS.—If a borrower is delinquent in payments on a direct or guaranteed loan made under this title, the Secretary or the contracing credit counseling service shall conduct a problem assessment to determine the cause and action necessary to correct the problem.

(e) GUIDELINES.—The Secretary shall issue regulations providing guidelines for loan assessments conducted under this section.

SEC. 361. SUPERVISED CREDIT.

The Secretary shall provide adequate training to employees of the Farmers Home Administration on credit analysis and financial and farm management to—

(1) better acquaint the employees with what constitutes adequate financial data on which to base a direct or guaranteed loan approval decision; and

(2) ensure proper supervision of farmer program loans.".

SEC. 362. GRADUATION OF FMHA BORROWERS TO PRIVATE COMMERCIAL CREDIT.

(a) IN GENERAL.—The Secretary shall establish a plan to encourage the graduation of a borrower to private commercial credit at the time a direct loan or guaranteed loan is made to—

(1) a qualified farmer or rancher; or

(2) a borrower with a loan outstanding on the date of enactment of this section.

(b) LIMITATIONS.—

(1) DIRECT LOANS.—On or after the first day after the 10th year after the date of enactment of this section, no direct loan shall be made under this title to a borrower who has obtained a direct loan or the guarantee of a loan 10 or more years prior to the closing date of the loan applied for.

(2) GUARANTEED LOANS.—On and after the first day after the 15th year after the date of enactment of this section, no loan shall be guaranteed under this title with respect to a borrower who has obtained a direct loan or the guarantee of a loan 15 or

more years before the closing date of the loan sought to be guaranteed.

(c) RELATIONSHIP TO OTHER PROGRAMS.—The Secretary shall establish graduation plans, and otherwise carry out this section, in coordination with—

(1) the borrower training program established under section 359; and

(2) the loan assessment program established under section 360;

(3) increased supervision of credit required under section 361.

SEC. 363. MARKET PLACEMENT.

The Secretary shall establish a market placement program for beginning farmers and ranchers and other borrowers of farmer program loans that the Secretary believes have a reasonable chance of qualifying for commercial credit with a guarantee provided under this title.

SEC. 364. PROHIBITION ON USE OF LOANS FOR CERTAIN PURPOSES.

A loan made, insured, guaranteed, or otherwise assisted under this title shall not be used to drain, dredge, fill, level, or otherwise manipulate a wetland (as defined in section 1201(a)(16) of the Food Security Act of 1985 (16 U.S.C. 3801(a)(16)), including any activity that results in impairing or reducing the flow, circulation, or reach of water, except in the case of activity related to the maintenance of previously converted wetlands or in the case of such activity that is already commenced prior to the date of enactment of this section.

FARM CREDIT ACT OF 1971

(Public Law 92-181)

* * * * * * *

SEC. 1.11. PURPOSES FOR EXTENSIONS OF CREDIT.

(a) AGRICULTURAL OF AQUATIC PURPOSES.—Loans made by a Farm Credit Bank to farmers, ranchers, and producers or harvesters of aquatic products may be for any agricultural or aquatic purpose and other credit needs of the applicants, including financing for basic processing and marketing directly related to the applicant's operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products, except that the operations of the applicant shall supply [at least 20 percent, or such larger percent as may be required by the board of directors of the bank under regulations of the Farm Credit Administration,] *some portion* of the total processing or marketing for which financing is extended.

* * * * * * *

SEC. 2.4. SHORT- AND INTERMEDIATE-TERM LOANS; PARTICIPATION; OTHER FINANCIAL ASSISTANCE; TERMS; CONDITIONS; INTEREST; SECURITY.

(a) SHORT- AND INTERMEDIATE-TERM LOANS.—Each production credit association, under standards prescribed by the board of directors of the Farm Credit Bank of the district, may make, guarantee,

or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to—

(1) bona fide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requrements of such borrowers, including financing for basic processing and marketing directly related to the operations of the borrower and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products, except that the operations of the borrower shall supply [at least 20 percent, or such larger percent as is required by the supervising bank under regulations of the Farm Credit Administration,] *some portion* of the total processing or marketing for which financing is extended;

(2) rural residents for housing financing in rural areas, under regulations of the Farm Credit Administration; and

(3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs.

* * * * * * *

SEC. 2.5. OTHER SERVICES.

Each production credit association may provide technical assistance to borrowers, applicants, and members and may make available to them at their option such financial related services appropriate to their on-farm and aquatic operations as is determined feasible by the board of directors of each Farm Credit Bank, under regulations prescribed by the Farm Credit Administration.

SEC. 2.6. LIENS ON STOCK.

Except with regard to stock or participation certificates held by other Farm Credit System institutions, each production credit association shall have a first lien on stock and participation certificates the association issues, allocated surplus, and on investments in equity reserve, for any indebtedness of the holder of the capital investments and, in the case of equity reserves, for charges for association losses in excess of reserves and surpluses.

SEC. [2.6] *2.7* TAXATION.

Each production credit association and its obligations are instrumentalities of the United States and as such any and all notes, debentures, and other obligations issued by such associations shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or any State, territorial, or local taxing authority, except that interest on such obligations shall be subject to Federal income taxation in the hands of the holder.

* * * * * * *

SEC. 4.29. LINES OF INSURANCE.—(a)(1) The regulations of the Farm Credit Administration governing financially related services that the banks and associations of the Farm Credit System may provide under titles I and II may authorize the sale to any member of or borrower from any such bank or association, on an optional basis, of credit or term life and credit disability insurance appropriate to protect the loan commitment in the event of death or disability of the debtors and other insurance necessary to protect the

member's farm or aquatic unit, but limited to, hail and multiple-peril crop insurance, title insurance, and insurance to protect the facilities and equipment of aquatic borrowers. A member or borrower shall have the option, without coercion from the bank or association of such member or borrower, to accept or reject such insurance.

(2) In making insurance available through private insurers, the banks shall approve the programs of more than two insurers for each type of insurance offered in the district, *if more than two insurers for each type of insurance have proposed programs to a bank that will, in all likelihood, have long-term viability and meet the requirements of subsection (b)(2)(D).* The banks may provide comparative information relating to costs and quality of approved programs and the financial conditions of approved companies. Associations shall offer at least two insurers for each program from among those approved by the Farm Credit Banks, *if at least two insurers have been approved in accordance with this paragraph.*

(b) Such regulations shall provide that—

(1) in any case in which insurance is required as a condition for a loan or other financial assistance from a bank or association, notice be given that it is not necessary to purchase the insurance from the bank or association and that the borrower has the option of obtaining the insurance elsewhere;

(2) such insurance services may be offered only if—

(A) the bank or association has the capacity to render insurance service under this Act in an effective and efficient manner;

(B) there exists the probability that any insurance program under this Act will generate sufficient revenue to cover all costs:

(C) rendering insurance service will not have an adverse effect on the bank's or association's credit or other operations;

(D) the insurance program has been approved by the bank or association from among specific programs made available to it by insurers—

(i) meeting reasonable financial and quality of service standards; and

(ii) licensed under State law to do business in the State; and

(E) in making insurance available through approved insurers, the board of directors of the association or bank selects and offers at least two approved insurers for each type of insurance made available to the members and borrowers[; and], *if at least two insurers have been approved in accordance with subsection (a)(2)*

(3) no bank or association shall directly or indirectly discriminate in any manner against any agent, broker, or insurer that is not affiliated with such bank or association, or against any party who purchases insurance through any such nonaffiliated insurance agent, broker, or insurer[.]*; and*

(4) the costs of marketing, administration, and servicing of insurance shall be borne by a private insurer and not by a bank or association of the Farm Credit System.

(c) Notwithstanding and provision of this section to the contrary, and bank or association that on the date of enactment of the Farm Credit Act Amendments of 1980, is offering insurance coverages not authorized by this section may continue to sell such coverages for a period of not more than one year from such date of enactment and may continue to service such coverages until their expiration.

* * * * * * *

SEC. 5.9. POWERS OF THE BOARD.—The Board shall manage and administer, and establish policies for, the Farm Credit Administration *and the Farm Credit System Insurance Corporation.* It—

(1) shall approve the rules and regulations for the implementation of this Act not inconsistent with its provisions;

(2) shall provide for the examination of the condition of, and general regulation of the performance of the powers, functions, and duties vested in, each institution of the Farm Credit System;

(3) shall provide for the performance of all the powers and duties vested in the Farm Credit Administration *and the Farm Credit System Insurance Corporation*; and

(4) may require such reports as it deems necessary from the institutions of the Farm Credit System.

SEC. 5.10. CHAIRMAN; RESPONSIBILITIES; GOVERNING STANDARDS.—(a)(1) The Chairman of the Board shall be the chief executive officer of the Farm Credit Administration *and the Farm Credit System Insurance Corporation.*

(2) In carrying out the responsibilities of the chief executive officer, the Chairman shall be responsible for directing the implementation of policies and regulations adopted by the Board and, after consultation with the Board, the execution of the administrative functions and duties of the Farm Credit Administration *and the Farm Credit System Insurance Corporation.*

(3) In carrying out policies as directed by the Board, the Chairman shall act as spokesperson for the Board and represent the Board and the Farm Credit Administration *and the Farm Credit System Insurance Corporation* in their official relations within the Federal Government.

(4) Under policies adopted by the Board, the Chairman shall consult on a regular basis with—

(A) the Secretary of the Treasury concerning the exercise, by the System, of the powers conferred under section 4.2;

(B) the Board of Governors of the Federal Reserve System concerning the effect of System lending activities on national monetary policy; and

(C) the Secretary of Agriculture concerning the effect of System policies on farmers, ranchers, and the agricultural economy.

(b) In carrying out responsibilities under this Act, the Chairman of the Board shall be governed by general policies adopted by the Board and by such regulatory decisions, findings, and determinations as the Board may by law be authorized to make and, as to third persons, all acts of the Chairman of the Board shall be con-

clusively presumed to be in compliance with such general policies and regulatory decisions, findings, and determinations.

(c) The Chairman of the Board shall enforce the rules, regulations, and orders of the Board. Except as provided in section 518 of title 28 of the United States Code, relating to litigation before the Supreme Court, attorneys designated by the Chairman shall represent the Farm Credit Administration *and the Farm Credit System Insurance Corporation* in any civil proceeding or civil action brought in connection with the administration of conservatorships and receiverships. Attorneys designated by the Chairman may represent the Farm Credit Administration *and the Farm Credit System Insurance Corporation* in any other civil preceedings or civil action when so authorized by the Attorney General under provisions of title 28.

SEC. 5.11. ORGANIZATION OF THE FARM CREDIT ADMINISTRATION.

(a) POLICIES OF THE BOARD.—The Chairman of the Farm Credit Administration Board, in carrying out the powers and duties vested in the Chairman by this Act, and Acts supplementary thereto, shall be governed by policies of the Board an by such regulatory decisions, findings, and determinations as the Board may by law be authorized to make.

(b) APPOINTMENTS.—The Chairman of the Board shall appoint such personnel as may be necessary to carry out the functions of the Farm Credit Administration *and the Farm Credit System Insurance Corporation*. The appointment by the Chairman of the heads of major administrative divisions under the Board shall be subject to the approval of the Board.

(c) PERSONNEL.—

(1) APPOINTMENTS BY BOARD MEMBERS.—Personnel employed regularly and full-time in the immediate offices of Board members shall be appointed by each such Board member.

(2) OFFICERS AND EMPLOYEES.—

(A) APPOINTMENT, COMPENSATION, AND BENEFITS.—The Chairman shall fix the compensation and number of, and appoint and direct, employees of the Administration *and the Farm Credit System Insurance Corporation*. The Chairman may set and adjust the rates of basic pay for employees of the Administration *and the Farm Credit System Insurance Corporation* without regard to the provisions of chapter 51, or subchapter III of chapter 53, of title 5, United States Code. The Chairman may provide such additional compensation and benefits to employees of the Administration *and the Farm Credit System Insurance Corporation* as is necessary to maintain comparability with the total amount of compensation and benefits provided by other Federal bank regulatory agencies. In setting and adjusting the total amount of compensation and benefits for employees of the Administration *and the Farm Credit System Insurance Corporation*, the Chairman shall consult with, and seek to maintain comparability with, other Federal bank regulatory agencies.

(B) OTHER FEDERAL BANK REGULATORY AGENCIES DEFINED.—For purposes of this subsection, the term "other

Federal bank regulatory agencies" has the same meaning given to the term "appropriate Federal banking agency" in section 3(q) of the Federal Deposit Insurance Act.

(C) ETHICS IN GOVERNMENT.—The officers and employees of the agency shall be—

(i) subject to the Ethics in Government Act of 1978; and

(ii) considered officers or employees of the United States for the purposes of sections 201 through 203, and sections 205 through 209, of title 18, United States Code.

(3) DELEGATION.—The powers of the Chairman as chief executive officer necessary for day to day management may be exercised and performed by the Chairman through such other officers and employees of the Administration *and the Farm Credit System Insurance Corporation* as the Chairman shall designate, except that the Chairman may not delegate powers specifically reserved to the Chairman by this Act without Board approval.

(d) FUNDING.—The operations of the Farm Credit Administration, and the salaries of members of the Board and employees of the Administration, shall be funded and paid for from the fund created under section 5.15.

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[SEC. 5.53. BOARD OF DIRECTORS.

[(a) ESTABLISHMENT.—The Corporation shall be managed by a Board of Directors that shall consist of the members of the Farm Credit Administration Board.

[(b) CHAIRMAN.—The Board of Directors shall be chaired by any Board member other than the Chairman of the Farm Credit Administration Board.]

SEC. 5.53. BOARD OF DIRECTORS.

The Corporation shall be managed by the Farm Credit Administration Board.

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SEC. 5.56. CERTIFICATION OF PREMIUMS.

[(a) FILING CERTIFIED STATEMENT.—Annually, on a date to be determined in the sole discretion of the Board of Directors, each insured System bank that became insured before the beginning of the year shall file with the Corporation a certified statement showing the annual average principal outstanding on loans made by the bank that are in accrual status, the annual average principal outstanding on loans that are in nonaccrual status, and the amount of the premium due the Corporation from the bank for such year.]

(a) FILING CERTIFIED STATEMENT.—Annually, on a date to be determined in the sole discretion of the Board of Directors, each insured System bank that became insured before the beginning of the year shall file with the Corporation a certified statement showing—

(1) the annual average principal outstanding on loans made by the bank that are in accrual status, including the nonguaranteed portions of government-guaranteed loans;

(2) the annual average principal outstanding on the guaranteed portion of Federal government-guaranteed loans (as defined in section 5.55(a)(2)) that are in accrual status;

(3) the annual average principal on State government-guaranteed loans (as defined in section 5.55(a)(2)) that are in accrual status;

(4) the annual average principal outstanding on loans that are in nonaccrual status; and

(5) the amount of the premium due the Corporation from the bank for the year.

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SEC. 5.60. INSURANCE FUND.

(a) ESTABLISHMENT.—There is hereby established a Farm Credit Insurance Fund (hereinafter referred to in this section as the "Insurance Fund") for insuring the timely payment of principal and interest on insured obligations. The assets in the Fund shall be held by the Corporation for the uses and purposes of the Corporation.

(b) AMOUNTS IN FUND.—

(1) REVOLVING FUND.—All amounts in the revolving fund established by section 4.0 shall be transferred into the Farm Credit Insurance Fund on January 1, 1989, or 12 months after the date of the enactment of this part, whichever is later, except that the obligations to, and rights of, any person in such revolving fund arising out of any event or transaction before the date of the enactment of this part shall remain unimpaired.

(2) DEPOSIT OF PREMIUMS.—The Corporation shall deposit in the Insurance Fund all premium payments received by the Corporation under this part.

(c) USES OF FUND.—

(1) MANDATORY USE.—Beginning [5 years after the date of the enactment of this part] *January 1, 1993,* the Corporation shall expend amounts in the Insurance Fund to the extent necessary to insure the timely payment of interest and principal on insured obligations.

(2) OTHER MANDATORY USES.—Beginning [5 years after the date of enactment of this part] *January 1, 1993,* the Corporation shall use amounts in the Insurance Fund to—

(A) satisfy System institution defaults through the purchase of preferred stock or other payments as provided for in section 6.26(d)(3); and

(B) ensure the retirement of eligible borrower stock at par value under section 4.9A.

(3) PERMISSIVE USES.—The Corporation may expend amounts in the Insurance Fund to carry out section 5.61 and to cover the operating costs of the Corporation.

(4) CORPORATION PAYMENT OR REFUNDS.—The Corporation shall make all payments and refunds required to be made by the Corporation under this part from amounts in the Insurance Fund.

SEC. 5.61. POWERS OF CORPORATION WITH RESPECT TO TROUBLED INSURED SYSTEM BANKS.

(a) AUTHORITY TO PROVIDE ASSISTANCE.—

(1) IN GENERAL.—The Corporation, in its sole discretion and on such terms and conditions as the Board of Directors may prescribe, may make loans to, purchase the assets or securities of, assume the liabilities of, or make contributions to, any insured System bank if such action is taken—

* * * * * * *

(ii) make loans or contributions to, or purchase debt securities of, such other insured System bank;

(iii) guarantee such other insured System bank against loss by reason of such other insured System bank's merging or consolidating with, or assuming the liabilities and purchasing the assets of, such insured System bank; or

(iv) take any combination of the actions referred to in the preceding clauses.

(B) QUALIFYING INSURED SYSTEM BANK.—For purposes of subparagraph (A), the term "qualifying insured System bank" means any insured System bank that—

(i) is in receivership;

(ii) is, in the judgment of the Board of Directors, in danger of being placed in receivership; or

(iii) is, in the sole discretion of the Corporation, an insured System bank that, when severe financial conditions exist that threaten the stability of a significant number of insured System banks or of insured System banks possessing significant financial resources, requires assistance under subparagraph (A) to lessen the risk to the Corporation posed by such insured System bank under such threat of instability.

[(3) LIMITATION.—

[(A) COST OF LIQUIDATION.—Assistance shall not be provided to an insured System bank under this subsection if the amount of such assistance exceeds an amount determined by the Corporation to be the cost of liquidating the the bank (including paying the insured obligations issued on behalf of the bank). This subparagraph shall not apply to the provision of assistance to a bank if the Corporation determines that the continued operation of the bank is essential to provide adequate agricultural credit services in the area of operations of the bank.

[(B) PURCHASE OF STOCK.—The]

(3) LIMITATION.—The Corporation may not use its authority under this subsection to purchase any stock of an insured System bank. The preceding sentence shall not be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect the financial interests of the Corporation.

(4) SUBORDINATION.—Any assistance provided under this subsection may be in subordination to the rights of owners of obligations and other creditors.

(5) REPORTS.—The Corporation, in its annual report to Congress, shall report the total amount saved, or it estimates to be

saved, by the Corporation exercising the authority provided to the Corporation in this subsection.

(b) AUTHORITY TO PLEDGE OR SELL ASSETS.—The Corporation, in its discretion, may make loans on the security of, or may purchase, and liquidate or sell, any part of the assets of, any insured System bank that is placed in receivership because of the inability of the bank to pay principal or interest on any of its notes, bonds, debentures, or other obligations in a timely manner.

(c) SUBROGATION.—

(1) IN GENERAL.—On the payment to an owner of an insured obligation issued on behalf of an insured System bank in receivership, the Corporation shall be subrogated to all rights of the owner against the bank to the extent of the payment.

(2) RECEIPT OF DIVIDENDS.—Subrogation under paragraph (1) shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of the bank as would have been payable to the owner on a claim for the insured obligation.

(d) RIGHT TO ASSETS.—Any agreement that shall diminish or defeat the right, title, or interest of the Corporation in any asset acquired by such Corporation under this section, either as security for a loan or by purchase, shall not be valid against the Corporation unless the agreement—

(1) is in writing;

(2) is executed by the bank and the person or persons claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the bank;

(3) has been approved by the board of directors of the bank or its loan committee, which approval shall be reflected in the minutes of the board or committee; and

(4) has been continuously, from the time of its execution, an official record of the bank.

(e) INSURED SYSTEM BANK.—As used in this section, the terms "insured System bank" and "bank" include each production credit association and other association making direct loans under the authority provided under section 7.6.

(f) EFFECTIVE DATE.—The Corporation shall not exercise any authority under this section during the 5-year period [beginning on the date of the enactment of this part] *prior to January 1, 1993.*

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SEC. 5.65. PROHIBITIONS.

(a) CORPORATE NAME.—

(1) USE OF CORPORATE NAME.—It shall be unlawful for any person or entity to use the words "Farm Credit System Insurance Corporation" or any combination of such words that would have the effect of leading the public to believe that there is any connection between such person or entity and the Corporation, by virtue of the name under which such person or entity does business.

(2) FALSE REPRESENTATION.—

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(d) EMPLOYMENT OF PERSONS CONVICTED OF CRIMINAL OFFENSES.—

(1) IN GENERAL.—Except with the prior written consent of the Farm Credit Administration, it shall be unlawful for any

person convicted of any criminal offense involving dishonesty or a breach of trust to serve as a director, officer, or employee of any [insured System bank] *System institution.*

(2) PENALTY.—For each willful violation of paragraph (1), the [bank] *institution* involved shall be subject to a penalty of not more than $100 for each day during which the violation continues, which the Corporation may recover for its use.

TITLE VIII—AGRICULTURAL MORTGAGE SECONDARY MARKET

SEC. 8.0. DEFINITIONS.

For purposes of this title:

(1) AGRICULTURAL REAL ESTATE.—The term "agricultural real estate" means—

(A) a parcel or parcels of land, or a building or structure affixed to the parcel or parcels, that—

(i) is used for the production of one or more agricultural commodities or products; and

(ii) consists of a minimum acreage or is used in producing minimum annual receipts, as determined by the Corporation; or

(B) a principal residence that is a single family, moderate-priced residential dwelling located in a rural area, excluding—

(i) any community having a population in excess of 2,500 inhabitants; and

(ii) any dwelling with a purchase price exceeding $100,000 (as adjusted for inflation).

(2) BOARD.—The term "Board" means—

(A) the interim board of directors established in section 8.2(a);

(B) the permanent board of directors established in section 8.2(b);

as the case may be.

[(3) CERTIFIED FACILITY.—The term "certified facility" means a secondary marketing agricultural loan facility that is certified under section 8.5.]

(3) CERTIFIED FACILITY.—The term "certified facility" means—

(A) a secondary marketing agricultural loan facility that is certified under section 8.5; or

(B) the Corporation and any affiliate thereof, but only with respect to qualified loans as defined in paragraph (9)(B).

(4) CORPORATION.—The term "Corporation" means the Federal Agricultural Mortgages Corporation established in section 8.1.

(5) GUARANTEE.—The term "guarantee" means the guarantee of timely payment of the principal and interest on securities representing interests in, or obligations backed by, pools of qualified loans, in accordance with this title.

(6) INTERIM BOARD.—The term "interim board" means the interim board of directors established in section 8.2(a).

(7) ORIGINATOR.—The term "originator" means any Farm Credit System institution, bank, insurance company, business and industrial development company, savings and loan association, association of agricultural producers, agricultural cooperative, commercial finance company, trust company, credit union, or other entity that originates and services agricultural mortgage loans.

(8) PERMANENT BOARD.—The term "permanent board" means the permanent board of directors established in section 8.2(b).

[(9) QUALIFIED LOAN.—The term "qualified loan" means an obligation that—

[(A) is secured by a fee-simple or leasehold mortgage with status as a first lien on agricultural real estate located in the United States that is not subject to any legal or equitable claims deriving from a preceding fee-simple or leasehold mortgage;

[(B) is an obligation of—

[(i) a citizen or national of the United States or an alien lawfully admitted for permanent residence in the United States; or

[(ii) a private corporation or partnership whose members, stockholders, or partners holding a majority interests in the corporation or partnership are individuals described in clause (1); and

[(C) is an obligation of a person, corporation, or partnership that has training or farming experience that, under criteria established by the Corporation, is sufficient to enable a reasonable likelihood that the loan will be repaid according to its terms.]

(9) QUALIFIED LOAN.—The term "qualified loan" means an obligation that—

(A)(i) is secured by a fee-simple or leasehold mortgage with status as a first lien on agricultural real estate located in the United States that is not subject to any legal equitable claims deriving from a preceding fee-simple or leasehold mortgage;

(ii) is an obligation of—

(I) a citizen or national of the United States or an alien lawfully admitted for permanent residence in the United States; or

(II) a private corporation or partnership whose members, stockholders, or partners holding a majority interest in the corporation or partnership are individuals described in subclause (I); and

(iii) is an obligation of a person, corporation, or partnership that has training or farming experience that, under criteria established by the Corporation, is sufficient to ensure a reasonable likelihood that the loan will be repaid according to its terms; or

(B) is a portion of a loan guaranteed by the Secretary of Agriculture pursuant to the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), except that—

(i) subsection (b) through (f) of section 8.6, and sections 8.7, 8.8, and 8.9, shall not apply to the portion of a loan guaranteed by the Secretary or to an obligation, pool, or security representing an interest in or obligation backed by a pool of obligations relating to the portion of a loan guaranteed by the Secretary; and

(ii) the portion of a loan guaranteed by the Secretary, shall be considered to meet all standards for qualified loans for all purposes under this Act.

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PUBLIC LAW 91-229

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SEC. 5. INTEREST RATES AND TAXES.

Loans made or insured pursuant to sections 488 to 492 of this title will be subject to the interest rate provisions of [section 307(a)] *section 307(a)(3)(B)* of the Consolidated Farmers Home Administration Act of 1961, as amended [7 U.S.C.A. § 1927(a)], and to the provisions of subtitle D of that Act [7 U.S.C.A. § 1981 et seq.] except sections 340 [7 U.S.C.A. § 1990], 341, 342 [7 U.S.C.A. § 1013a], and 343 [7 U.S.C.A. § 1991] thereof: *Provided,* That section 334 [7 U.S.C.A. § 1984] thereof shall not be construed to subject to taxation any lands or interests therein while they are held by an Indian tribe or tribal corporation or by the United States in trust for such tribe or tribal corporation pursuant to sections 488 to 492 of this title.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this Act $8,000,000 for each of the fiscal years 1991 through 1995.

EMERGENCY AGRICULTURAL CREDIT ADJUSTMENT ACT OF 1978

[SHORT TITLE

[SEC. 201. This title may be cited as the "Emergency Agricultural Credit Adjustment Act of 1978".

[AUTHORITY TO INSURE OR GUARANTEE LOANS

[SEC. 202. The Secretary of Agriculture may insure or guarantee loans to (1) bona fide farmers and ranchers who are primarily and directly engaged in agricultural production and who are citizens of the United States and (5) farm cooperatives and private domestic corporations and partnerships that are primarily and directly engaged in agricultural production and in which a majority interest is held by members, stockholders, or partners, as applicable, who themselves are citizens of the United States and are primarily and directly engaged in agricultural production, if the applicant for such loan—

[(A) has the experience or training and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan;

[(B) needs such credit in order to maintain a viable agricultural production operation; and

[(C) is not able to obtain sufficient credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

As used in this title, the term "agricultural production" shall include aquaculture; the term "Secretary" shall mean the Secretary of Agriculture; and the term "able to obtain sufficient credit elsewhere" means able to obtain sufficient credit elsewhere to finance the applicant's actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. For the purpose of determining whether an applicant under this title is not able to obtain sufficient credit elsewhere, the Secretary shall require at least one written indication of declination of credit, from a legally organized lending institution within reasonable proximity to the applicant, that specifies the reasons for the declination: *Provided,* That for loans in excess of $300,000, the Secretary shall require at least two such written declinations: *Provided further,* That for loans of $300,000 or less, the Secretary may waive the requirement of this sentence if the Secretary determines that it would impose an undue burden on the applicant.

[PURPOSES OF LOANS

[SEC. 203. (a) Loans may be insured or guaranteed under this title for (1) refinancing outstanding indebtedness, including the making of installment payments of principal and interest, on farm or home real estate and other farm and essential home debts that cannot be paid unless assistance is provided under this title to provide adequate terms within the applicant's repayment ability and assure continuation of the applicant's farming, ranching, or aquaculture operation: *Provided,* That no loan may be insured or guaranteed under this title for the purpose of refinancing outstanding indebtedness on farm or home real estate unless such real estate was purchased by the applicant at least one year prior to the date of the loan application, (2) reorganization of the farming ranching, or aquaculture operation, including changes in the nature or method of operation, necessary to provide an economically sound operating unit, (3) purchase of essential water rights, supplies, and irrigation facilities, (4) purchase of essential livestock, poultry, and farm equipment, (5) purchase of feed, seed, fertilizer, insecticides, and farm supplies and other essential farm operating expenses, including cash rent, (6) financing essential land and water development, use, and conservation, (7) other essential farm, ranch, and aquaculture needs, including, but not limited to, family subsistence, and (8) loan closing costs. No loan may be insured or guaranteed under this title the purpose of which is to purchase or lease additional land.

[(b) In making loans under this title, preference shall be given to owners or operators of not larger than family farms. In the case of farm cooperatives, corporations, and partnerships, the family

farm preference shall apply to the farm or farms in which both the entity and its principal members, stockholders, or partners, as applicable, have an ownership or operator interest and are primarily and directly engaged in agricultural production.

[GUARANTEED LOAN LIMITS; RATES OF INTEREST; REPAYMENT PERIOD; RESTRICTIONS; OIL AND GAS ROYALTY PAYMENTS ON LOANS

[SEC. 204. (a) The Secretary may guarantee under this title the principal and interest on any loan that is made by a legally organized lending agency, and that otherwise meets the purposes and conditions of this title, except that such guarantee shall not exceed 90 per centum of the principal and interest of the loan.

[(b) Loans guaranteed under this title shall bear interest at rates to be agreed upon by the lender and borrower. Loans insured under this title shall bear interest at rates determined by the Secretary taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

[(c) Loans insured and guaranteed under this title shall be repayable at such times as the Secretary may determine, taking into account the purpose of, and need for, the loan, but not later than provided for loans for similar purposes under the Consolidated Farm and Rural Development Act [see Short Title note set out under section 1921 of this title]: *Provided,* That, if the loan is for a purpose described in subtitle B of such Act [subchapter II of this chapter], the Secretary may take the loan repayable at the end of a period not exceeding twenty years if the Secretary determines that the need of the applicant justifies a longer repayment period.

[(d) No fees or charges shall be assessed by the Secretary for any loan insured or for any guarantee provided under this title.

[(e)(1) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

[(A) the leasing of oil, gas, or other mineral rights to real property used to secure such loan; or

[(B) the sale of oil, gas, or other minerals removed from real property used to secure such loan if the value of the rights to such oil, gas, or other minerals has not been used to secure such loan.

[(2) Paragraph (1) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Food Security Act of 1985 [Dec. 23, 1985].

[LOAN CERTIFICATIONS AND CONDITIONS

[SEC. 205. (a) As a condition of the Secretary's guaranteeing any loan under this title, the lender shall cerfity that—

[(1) the lender is unwilling to provide credit to, or continue with, the loan applicant in the absence of the guarantee authorized by this title;

[(2) the loan applicant is directly and in good faith engaged in agricultural production; and

[(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

[(b) As a condition of the Secretary's insuring any loan under this title, the loan applicant shall certify that—

[(1) the loan applicant will be unable to obtain financing in the absence of the assistance authorized by this title;

[(2) the loan applicant is directly and in good faith engaged in agricultural production; and

[(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

[(c) As a condition of insuring or guaranteeing any loan under this title, the Secretary must find that there is reasonable probability of accomplishing the objectives of this title and repayment of the loan.

[(d) The Secretary shall require—

[(1) the county committee authorized under section 332 of the Consolidated Farm and Rural and Development Act [section 1982 of this title] to certify in writing that the applicant for a loan under this title meets the eligibility requirements for the loan, has the character, industry, and ability to carry out the proposed operations, and will, in the opinion of the committee, honestly endeavor to carry out the applicant's undertakings and obligations; and

[(2) except for guaranteed loans, an agreement by the applicant for a loan under this title that if at any time it shall appear to the Secretary that the applicant may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, the applicant will, upon request by the Secretary, apply for and accept such loan in an amount sufficient to repay the Secretary or the insured lender, or both, and pay for any stock in a cooperative lending agency that must be purchased in connection with such loan.

For purposes of carrying out the agreements required under clause (2) of the preceding sentence, not later than three years after the loan is insured, and not later than at the end of every two-year period thereafter for the term of the loan, the Secretary shall review the loan; and if, based on such review, the Secretary determines that the borrower is able to obtain a loan from a credit source specified in clause (2) at reasonable rates and terms for loans for similar purposes and periods of time, the borrower shall, on request by the Secretary, apply for and accept such loan pursuant to the terms of the agreement and clause (2).

[(e) No loan that is for more than $300,000 may be insured under this title, unless the Secretary determines that the applicant is not able to obtain from a private or cooperative lending agency a loan guaranteed by the Secretary under this title sufficient to finance the applicant's actual needs at reasonable rates and terms.

[LOAN SECURITY

[SEC. 206. Loans shall be insured or guaranteed under this title upon the full personal liability of the borrower secured by such collateral as is available that, together with the confidence of the Secretary, and, for guaranteed loans, the confidence of the lender, in the repayment ability of the loan applicant, is deemed by the Secretary adequate to protect the Government's interest. The collateral that has depreciated in value owing to temporary economic conditions.

[FUNDING; LIMITATION ON OUTSTANDING LOANS

[SEC. 207. (a) The fund created in section 309 of the Consolidated Farm and Rural Development Act [section 1929 of this title] shall be used by the Secretary for the operation of the loan program, and for the discharge of the obligations incurred by the Secretary, under this title. The Secretary may use such fund to (1) pay administrative expenses of the Secretary necessary to insure, guarantee, and service loans, and otherwise carry out the provisions of this title, and (2) purchase, on such terms and conditions as the Secretary may deem appropriate, all or any portion of any loan insured or guaranteed under this title, or to defer payments of principal and interest with respect to such loan and pay expenses and fees incident to such purchase or deferral. There shall be reimbursed to such fund by appropriations annually an amount equal to the costs incurred in the operation and administration of the program created by this title.

[(b) The total principal balance outstanding at any time on loans insured or guaranteed under this title for any borrower shall not exceed $400,000: *Provided,* That no loan may be insured or guaranteed under this title to a borrower who has any loans outstanding under subtitle A or B of the Consolidated Farm and Rural Development Act [subchapter I or II of this chapter, respectively] that would cause the total outstanding principal indebtedness under this title and subtitles A and B of the Consolidated Farm and Rural Development Act to exceed $650,000, and no loan may be made, insured, or guaranteed under subtitle A or B of the Consolidated Farm and Rural Development Act to any borrower who has any loans outstanding under this title that would cause the total outstanding principal indebtedness under subtitles A and B of the Consolidated Farm and Rural Development Act and this title to exceed $650,000.

[(c) The total principal balance outstanding at any time on loans insured or guaranteed under this title shall not exceed $6,000,000,000.

[FULL FAITH AND CREDIT

[SEC. 208. Any contract of guarantee or insurance executed by the Secretary under this title shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder has actual knowledge at the time it becomes a holder.

[ISSUANCE OF CERTIFICATES OF BENEFICIAL OWNERSHIP; CONTRACTS OF GUARANTEE ASSIGNABLE; REGULATIONS

[SEC. 209. (a) The provisions of section 310B(6) of the Consolidated Farm and Rural Development Act [section 1932(6) of this title] shall apply to loans insured or guaranteed under this title. The Secretary is authorized to handle loans guaranteed under this title in the same manner as loans guaranteed under the Consolidated Farm and Rural Development Act [see Short Title note set out under section 1921 of this title].

[(b) Contracts of guarantee executed pursuant to the provisions of this title shall be fully assignable.

[(c) The Secretary is authorized to issue such regulations as the Secretary determines necessary to carry out this title. Final regulations shall be issued as soon as possible, but in not event later than thirty days after the date of enactment of this title [Aug. 4, 1978]. Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt.

[AVAILABILITY OF THE PROGRAM

[SEC. 210. Financial assistance may be made available under this title throughout the "United States" as that term is defined in section 343 of the Consolidated Farm and Rural Development Act [section 1991 of this title].

[EFFECTIVE PERIOD

[SEC. 211. (a) The provisions of this title shall become effective upon enactment [Aug. 4, 1978], and the authority to make new contracts of insurance or guarantee under this title shall terminate September 30, 1982: *Provided,* That the Secretary may not make new contracts of insurance or guarantee under this title that will cause the total amount of money borrowed under such contracts during any fiscal year to exceed $600,000,000.

[(b) With respect to the economic emergency loan program operated under this title during the period beginning December 22, 1983, and ending September 30, 1984, the Secretary—

[(1) shall make available to eligible applicants during such period new contracts of insurance totaling, in the aggregate, $310,000,000, and

[(2) as appropriate to achieve the goals of the economic emergency loan program and taking into consideration the amount of funds used for loan guarantees, may make available to eligible applicants during such period additional new contracts of insurance totaling, in the aggregate, not more than $290,000,000.

[STUDY AND REPORT

[SEC. 212. (a) The Secretary shall conduct a comprehensive study of the operation and effectiveness of the program of financial assistance authorized under this title. The study shall include, but shall not be limited to, an examination and analysis of the following items:

[(1) the effect of loans insured or guaranteed under this title on the overall financial condition of borrowers and their ability to maintain viable agricultural production operations;

[(2) the implementation and effect of the provisions of this title requiring, as a condition of eligibility, that loan applicants not be able to obtain sufficient credit elsewhere;

[(3) the loan repayment delinquency rate and the percentage of borrowers who subsequently are able to obtain credit from other sources and repay the loans extended to them under this title;

[(4) the use under this title of loan guarantees as compared with insured loans;

[(5) the purposes for which loans are actually insured or guaranteed under this title in relation to the purposes specified in section 203, and an evaluation of the family farm preference established under section 203(b);

[(6) the methods of servicing loans and encouraging the repayment of loans insured or guaranteed under this title; and

[(7) the need for extending beyond September 30, 1981, the authority for insuring and guaranteeing loans under this title.

[(b) The Secretary shall complete the study required under this section and submit a report to Congress by March 31, 1981. Any recommendations by the Secretary for extending the authority to insure and guarantee loans under this title shall contain an evaluation of possible alternatives, such as (1) the merger of the program of financial assistance authorized under this title with the farm ownership and operating loan programs authorized under the Consolidated Farm and Rural Development Act [see Short Title note set out under section 1921 of this title], and (2) the combination of all farm loan program into a single program."]

AGRICULTURAL CREDIT ACT OF 1987

SEC. 506. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this subtitle $7,500,000 for each of the fiscal years 1988 through [1991] *1995.*

SEC. 623. FARM OWNERSHIP OUTREACH PROGRAM TO SOCIALLY DISADVANTAGED INDIVIDUALS.

(a) IN GENERAL.—The Secretary of Agriculture, in coordination with the limited resources farmers' initiative in the office of the Director of the Office of Advocacy and Enterprise, shall establish a farm ownership outreach program for persons who are members of any group with respect to which an individual may be identified as a socially disadvantaged individual under section 8(a)(5) of the Small Business Act (15 U.S.C. 637(a)(5)) to encourage the acquisition of inventory farmland of the Farmers Home Administration by—

(1) informing persons eligible for assistance under any other provision of this Act of—

(A) the possibility of acquiring such inventory farmland; and

(B) various farm ownership loan programs; and

(2) providing technical assistance to such persons in the acquisition of such inventory farmland.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $2,500,000 for each of the fiscal years 1991 through 1995.

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NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT OF 1977

* * * * * * *

Subtitle A—Findings, Purposes, and Definitions

FINDINGS

[SEC. 1402. Congress finds that—

[(1) the Federal Government of the United States has provided funding support for agricultural research and extension for many years in order to promote and protect the general health and welfare of the people of the United States, and this support has significantly contributed to the development of the Nation's agricultural system;

[(2) the agencies conducting such federally supported research were established at different times in response to different and specific needs and their work is not fully coordinated;

[(3) these agencies have only been partially successful in responding to the needs of all persons affected by their research, and useful information produced through such federally supported research is not being efficiently transferred to the people of the United States;

[(4) expanded agricultural research and extension are needed to meet the rising demand for food and fiber caused by increases in worldwide population and food shortages due to short-term localized, and adverse climatic conditions;

[(5) increased research is necessary to alleviate inadequacies of the marketing system (including storage, transportation, and distribution of agricultural and forest products) which have impaired United States agricultural production and utilization;

[(6) advances in food and agricultural sciences and technology have become increasingly limited by the concentration upon the thorough development and exploitation of currently known scientific principles and technological approaches at the expense of more fundamental research, and a strong research effort in the basic sciences is necessary to achieve breakthroughs in knowledge that can support new and innovative food and agricultural technologies;

[(7) Federal funding levels for agricultural research and extension in recent years have not been commensurate with needs stemming from changes in United States agricultural practices and the world food and agricultural situation;

[(8) new Federal initiatives are needed in the areas of—

[(A) research to find alternatives to technologies based on fossil fuels;

[(B) research and extension on human nutrition and food consumption patterns in order to improve the health and vitality of the people of the United States;

[(C) research to find solutions to environmental problems caused by technology changes in food and agricultural production;

[(D) aquacultural research and extension;

[(E) research and extension directed toward improving the management and use of the Nation's natural and renewable resources, in order to meet the increased demand for forest products, conserve water resources (through irrigation management, tail water reuse, desalination, crop conversion, and other water conservation techniques), conserve soil resources, and properly manage rangelands;

[(F) improving and expanding the research and extension programs in home economics;

[(G) extension programs in energy conservation;

[(H) extension programs in forestry and natural resources, with special emphasis to be given to improving the productivity of small private woodlands, modernizing wood harvesting and utilization, developing and disseminating reliable multiple-use resource management information to all landowners and consumers, and the general public, wildlife, watershed, and recreational management, and cultural practices (including reforestation, protection, and related matters);

[(I) research on climate, drought, and weather modification as factors in food and agricultural production;

[(J) more intensive agricultural research and extension programs oriented to the needs of small farmers and their families and the family farm system, which is a vital component of the agricultural production capacity of this country;

[(K) research to expand export markets for agricultural commodities;

[(L) development and implementation, through research, of more efficient, less wasteful, and environmentally sound methods of producing, processing, marketing, and utilizing food, fiber, waste products, other nonfood agricultural products, and forest and rangeland products;

[(M) expanded programs of animal disease and health care research and extension;

[(N) research to develop new crops, in order to expand our use of varied soils and increase the choice of nutritional and economically viable crops available for cultivation;

[(O) investigation and analysis of the practicability, desirability, and feasibility of using organic waste materials to improve soil tilth and fertility, and extension programs to disseminate practical information resulting from such investigations and analyses; and

[(P) research on new or improved food processing (such as food irradiation) or value-added food technologies;

[(9) the existing agricultural research system consisting of the Federal Government, the land-grant colleges and universities, other colleges and unversities engaged in agricultural research, the agricultural experiment stations, and the private sector constitute an essential national resource which must serve as the foundation for any further strengthening of agricultural research in the United States;

[(10) it is and has been the policy of the United States to support food and agricultural research, extensions, and teaching in the broadest sense of these terms. The parntership between the Federal Government and the States, as consummated in legislation and cooperative agreements, and the cooperative nature of efforts to implement this policy in cooperation with the food and agricultural industry has been eminently successful. Cooperative research, extension, and teaching programs have provided the United States with the most productive and efficient food and agricultural system in the world. This system is the basis of our national affluence and it provides vast amounts of food and fiber to other people around the world. However, the food and agricultural system is dynamic and constantly changing. The research, extension, and teaching programs must be maintained and constantly adjusted to meet ever changing challenges. National support of cooperative research, extension, and teaching efforts must be reaffirmed and strengthened to meet major needs and challenges in the following areas:

[(A) FOOD AND AGRICULTURAL SYSTEM PRODUCTIVITY.—Increases in agricultural productivity have been outstanding, however, productivity growth in the past decade has slowed. It is imperative that improved technologies and management systems be developed to maintain and enhance agricultural productivity in order for agricultural production in the United States to meet the demand of a rising world population, rising costs of production, and limitations on energy consumption. Improved productivity in food and agricultural processing and marketing sectors is a critical need in the national effort to achieve a strong economy.

[(B) AGRICULTURAL POLICY.—The effects of technological, economic, sociological, and envirnomental developments on the agricultural structure of the United States are strong and continuous. It is critical that emerging agricultural-related technologies, economic changes, and sociological and environmental developments, both national and international, be analyzed on a continuing basis in an interdisciplinary fashion to determine the effect of those forces on the structure of agriculture and to improve agricultural policy decisionmaking.

[(C) DEVELOPMENT OF NEW FOOD, FIBER, AND ENERGY SOURCES.—Programs to identify and develop new crop and animal sources of food, fiber, and energy must be undertaken to meet future needs.

[(D) AGRICULTURAL ENERGY USE AND PRODUCTION.—Much of the current agricultural technology is relatively

energy intensive. It is critical that alternative technologies be developed to increase agricultural energy efficiency and to reduce dependence on petroleum based products. Furthermore, agriculture provides the United States with alternative potential sources of energy that must be assessed and developed.

[(E) COORDINATION OF BIOTECHNOLOGY RESPONSIBILITIES OF FEDERAL GOVERNMENT.—Biotechnology guidelines and regulations must be made consistent throughout the Federal Government so they may promote scientific development and protect the public. The biotechnology risk assessment processes used by various Federal agencies must be standardized.

[(F) NATURAL RESOURCES.—Improved management of soil, water, forest, and range resources is vital to maintain the resource base for food, fiber, and wood production. An expanded research program in the areas of soil and water conservation and forest and range production practices is needed to develop more economical and effective management systems. Key objectives of this research are—

[(i) incorporating water and soil-saving technologies into current and evolving production practices;

[(ii) developing more cost-effective and practical conservation technologies;

[(iii) managing water in stressed environments;

[(iv) protecting the quality of the surface water and groundwater resources of the United States;

[(v) establishing integrated multidisciplinary organic farming research projects, including research on alternative farming systems, that will identify options from which individual farmers may select the production components that are most appropriate for their individual situations;

[(vi) developing better targeted pest management systems; and

[(vii) improving forest and range management technologies that meet demands more efficiently, better protect multiresource options, and enhance quality of output.

[(G) PROMOTION OF THE HEALTH AND WELFARE OF PEOPLE.—The basic objectives of food and agricultural research, extension, and teaching programs are to make the maximum contribution to the health and welfare of people and the economy of the United States through the enhancement of family farms, to improve community services and institutions, to increase the quality of life in rural America, and to improve the well-being of consumers. The rapid rate of social change, economic instability, and current energy problems increase the need for expanded programs of research and extension in family financial management, housing and home energy consumption, food preparation and consumption, human development (including youth programs), and development of community services and institutions.

[(H) HUMAN NUTRITION.—The challenge to meet the food needs of the world continues, but there is an increasing need to address nutrition research and educational issues associated with diet resulting from changing life styles and with respect to special groups such as the elderly, teenagers, infants, and pregnant women.

[(I) INTERNATIONAL FOOD AND AGRICULTURE.—United States agricultural production has proven its ability to produce abundant quantities of food for an expanding world population. Despite rising expectation for improved diets in the world today, there are instances of drought, civil unrest, economic crisis, or other conditions that preclude the local production or distribution of food. There are instances where localized problems impede the ability of farmers to produce needed food products. It is also recognized that many nations have progressive and effective agricultural research programs that produce results of interest and applicability to United States agriculture. The exchange of knowledge and information between nations is essential to the well-being of all nations. A dedicated effort involving the Federal Government, the State cooperative institutions, and other colleges and universities is needed to expand international food and agricultural research, extension, and teaching programs. Improved cooperation and communication by the Department of Agriculture and the cooperators with international agricultural research centers, counterpart agencies, and universities in other nations are necessary to improve food and agricultural progress throughout the world.

[(11) long-range planning for research, extension, and teaching is a key element in meeting the objectives of this title; accordingly, all of the elements in the food and agricultural science and education system are encouraged to expand their planning and coordination efforts; and

[(12) the agricultural system of the United States—

[(A) is increasingly dependent of science and technology to maintain and improve productivity levels, manage the resource base, provide high quality products, and protect the environment; and

[(B) requires a constant source of food and agricultural scientific expertise to maintain this dynamic system.]

SEC. 1402. FINDINGS.

Congress finds that—

(1) the Federal Government has provided funding support for agricultural research and extension for many years in order to promote and protect the general health and welfare of the people of the United States, and such support has significantly contributed to the development of the agricultural system of the United States;

(2) the existing agricultural research system consisting of the Federal Government, land-grant colleges and universities, other colleges and universities engaged in agricultural research, agricultural experiment stations, and the private sector constitute

an essential national resource that must serve as the foundation for the strengthening of agricultural research in the United States;

(3) the entities conducting Federally supported agricultural research were established at different times in response to different and specific needs and Federally supported research needs to be fully coordinated among these entities and non-Federally supported agricultural research activities;

(4) long-range planning for research, extension, and teaching is a key element in meeting the objectives of this Act and, as such, all entities in the food and agricultural science and education system should be encouraged to expand their planning and coordination efforts;

(5) agricultural research agencies have only been partially successful in responding to the needs of all persons affected by their research, and useful information produced through Federally supported research needs to be more efficiently transferred to the people of the United States;

(6) the agricultural system of the United States is increasingly dependent on science and technology and requires a constant source of food and agricultural scientific expertise to maintain this dynamic system;

(7) expanded agricultural research and extension is needed to meet the rising demand for food and fiber products caused by increases in worldwide population, market forces, and food distribution;

(8) advances in food and agricultural sciences and technology have become increasingly limited by periodic imbalances between the thorough development and exploitation of currently known scientific principles and technological approaches and the concentration on more fundamental research, requiring a continuing review and balancing of research emphases;

(9) Federal funding levels for agricultural research and extension in recent years have not been commensurate with needs stemming from changes in United States agricultural practices and the world food and agricultural situation;

(10) it is and has been the policy of the United States to support food and agricultural research, extension, and teaching in the broadest sense of these terms;

(11) efforts to implement the policy described in paragraph (10) have resulted in a partnership between the Federal government and the States, cooperation with the food and agricultural industry, and have provided the United States with the most productive and efficient food and agricultural system in the world;

(12) the food and agricultural system of the United States is the basis of our national affluence and it provides vast amounts of food and fiber to other people around the world, however this food and agricultural system is dynamic and constantly changing;

(13) the agricultural research, extension, and teaching programs of the United States must be maintained and constantly adjusted to meet new challenges and opportunities;

(14) national support for cooperative research, extension, and teaching efforts must be reaffirmed and strengthened to meet major societal needs and scientific opportunities;

(15) continuing or increased efforts in the food and agricultural sciences are needed in the areas of—

(A) plant genome structure and function, molecular and cellular genetics and plant biotechnology, plant-pest interactions and biocontrol systems, crop plant response to environmental stresses, improved nutrient qualities of plant products, and new food and industrial uses of plant products and development of new crops and cropping systems;

(B) cellular and molecular basis of animal reproduction, growth, disease, and health, identification of genes responsible for improved production traits and resistance to disease, improved nutritional performance of animals, improved nutrient qualities of animal products, and uses, and the development of new and improved animal husbandry and production systems that take into account production efficiency and animal well-being, and animal systems applicable to aquaculture;

(C) microbial contaminants and pesticides residues related to human health, links between diet and health, including monitoring the nutritional status of the population, especially critical subpopulations, nutrition education, rural family welfare, bioavailability of nutrients, postharvest physiology and practices, and improved processing technologies;

(D) fundamental structures and functions of ecosystems, biological and physical bases of sustainable production systems, minimizing soil losses and degradation, sustaining surface water and groundwater quality and maximizing water availability, forest and range management and productivity, weather and climatic effects on agriculture, and biological diversity;

(E) new uses and new products from crops, animals, byproducts, waste products, and natural resources, robotics, computing and expert systems, energy efficiency, conservation, and the development of alternative, renewable energy sources, new resource and environmenal quality and management; and

(F) optimal strategies for entering and being competitive in overseas markets, new decision tools for on-farm and market systems, choices and applications of technology, new approaches to economic development and viability in the rural United States with emphasis on family farming operations, international cooperation in agricultural research, extension, and teaching, and agricultural and nutritional improvements in developing nations;

(16)(A) the implications of the economic and scientific globalization of agriculture for the future well-being of the United States agriculture industry are immediate, pervasive, and of great consequence for both the producers and consumers of the United States;

(B) the prosperity of United States agriculture (most specifically its ability to compete in world markets) depends directly on its active participation in the expanding and increasingly sophisticated global network of science and education;

(C) it is recognized that, with the globalization of agriculture, the agenda of international issues of interest and importance to United States agriculture is increasing; and

(D) the Department of Agriculture can provide crucial assistance and should assume an active role in providing this assistance;

(17)(A) historically the Department of Agriculture has taken a strong role in research and education in colleges and universities of the United States, however, there is a segment of institutions (primarily those with significant minority enrollment) that are uniquely in a position to assist the Department in carrying out its legislative mandates to assess needs and expand opportunities for human expertise development in the food and agricultural sciences on a national and international scale; and

(B) the needs of the United States for trained professionals and scientists in the food and agricultural sciences are becoming increasingly critical, and Department initiatives undertaken to benefit students pursuing careers in food and agriculture can address this national need; and

(18)(A) a 1989 report of the National Research Council of the National Academy of Sciences entitled, "Investing in Research: A Proposal to Strengthen the Agricultural, Food and Environment System", identified an urgent need and opportunity for further investment in agricultural research;

(B) in the agricultural system, as with other segments of United States industry, the need for research in the 21st century will intensify more quickly than ever before;

(C) research opportunities must be seized immediately, before their peak of potential benefit has passed; and

(D) the ability of the United States to resolve the spectrum of issues and related problems in agriculture (such as nutrition, economics and international trade, production efficiency, natural resources conservation, control of pollutants, and other issues and problems) depends on depth of knowledge, the available tools and technologies, and the skill and insight to apply the knowledge, tools, and technologies.

SEC. 1403A. STATEMENT OF PURPOSES FOR AGRICULTURAL RESEARCH AND EXTENSION.

(a) PRIMARY PURPOSE.—The primary purpose of Federal involvement in both basic and applied agricultural research and extension activities shall be—

(1) to enhance the sustainability and competitiveness of the food production and agricultural system of the United States; and

(2) to the extent practicable, maximize competitiveness and the social, environmental, human health, economic, international and food security interests of the United States.

(b) SPECIFIC PURPOSES.—Subject to the varying conditions and needs of States, to carry out subsection (a) Federally funded agricul-

tural research and extension programs shall be designed to, among other things—

(1) increase employment opportunities (especially self-employment) in agricultural and rural communities, strengthen the family farm system of agriculture, enhance the competitive position of small- and moderate-sized, owner-operated farms on which the operators rely for a significant portion of their income, contribute to a more equitable rural, social, and economic structure, while enhancing the social and economic vivacity and quality of life of rural communities;

(2) protect the environment and natural resources through activities including reducing soil erosion, enhancing wildlife habitat and populations, protecting ground water and surface water from pollution from sediment, nutrients, synthetic chemicals, and other potential pollutants that may impair water quality or have an adverse affect on human health or the environment;

(3) enhance human health by fostering the availability and affordability of a safe, wholesome, healthful, and nutritious food supply that meets the needs and preferences of consumers, and by developing farming systems without adverse impacts on the health of consumers, farmers, farmworkers, and other persons involved in the food and farm system, or by assisting farmers and other rural residents in the detection and prevention of health and safety concerns;

(4) enhance the resiliency and competiveness of the food and farm system to ensure long-term food security and affordability by—

(A) reducing reliance on consumptive use of nonrenewable resources, including petroleum and other nonrenewable sources of energy;

(B) preserving, enhancing, and sustaining the productivity of natural resources, including farmland;

(C) maintaining genetic and species diversity; or

(D) developing farming systems capable of meeting future food and farm product needs;

(5) enhance the efficiency, profitability, and competitiveness of United States agriculture through the development of production systems that address constraints facing producers and that allow the producers, through more intensive application and use of management, skilled labor, and other means to reduce production costs; or

(6) enhance the efficiency, profitability, and competitiveness of United States agriculture through the development of more efficient processes, new uses for existing crops, or new and alternative crops as industrial raw materials.

(c) PROGRAMS.—To foster the purposes described in subsections (a) and (b), agricultural research and extension programs should encompass—

(1) the development of farming systems that take greater advantage of natural processes and beneficial biological interactions so as to sustain and enhance the interactions for use in agronomic and livestock farm management, including—

(A) enhanced management of fertilizers, pesticides, animal drugs, and inputs;

(B) use and development of integrated pest management systems and biological controls for insects, weeds, and plant pathogens;

(C) soil management systems that reduce soil erosion, use cover crops, crop residues, crop rotation, and legumes as nitrogen sources; and

(D) environmentally sound application of animal manure;

(2) agroecology research aimed at developing an understanding of the ecology of agricultural eco-systems and the interaction among living organisms, environmental conditions, and farming practices;

(3) genetics research (using both traditional approaches and biotechnology) that result in crop varieties and livestock that enhance management options, farm productivity, use of inputs, and a diversity of products that can be marketed by the farm operator;

(4) research to develop farming systems appropriate to an era of climatological uncertainty, including development of more drought tolerant plants and farming systems that conserve moisture, and plants and livestock that are adaptable to shifts in climate;

(5) research to increase the demand for current farm products, and to develop new farm crops and enterprises, that are socially, economically, and environmentally advantageous, and enhance agricultural diversity, including—

(A) new crops and new uses for existing crops that can be grown on highly erodible land at acceptable rates of soil erosion;

(B) new uses for existing crops and new crops that when added to rotations with major crops reduce soil erosion and the need for substantial off-farm inputs;

(C) new crops and products that are environmentally sound and appropriate to small- and moderate-sized family farms; and

(D) processing techniques for agricultural products that are appropriate to location on farms and in small rural communities;

(6) research to enhance the profitability and productivity of soil conserving land uses and farming systems that rely on long-term perennial plant systems, including greater reliance on forages and development of livestock systems that improve the utilization of forage products;

(7) research that develops—

(A) rural development strategies that build on the entrepreneurial skills, self-employment tradition, and agricultural resource base of farm-dependent communities; and

(B) extension programs to disseminate those strategies and provide technical assistance to grassroots, self-help rural community development efforts, including those aimed particularly at increasing economic opportunities of minorities and low income individuals;

(8) innovative extension and education programs that transfer new technology to the agricultural community and to widely reach small- and moderate-sized family farmers, including potential beginning and minority farmers with limited resources (who might otherwise fail to keep pace with rapidly changing technology) to enhance their management capabilities and inform them of established and emerging technological and farming systems alternatives appropriate to small- and moderate-sized family farms;

(9) extension programs that are adequately funded and staffed and substantially involve a broad range of interested individuals, commodity groups, agri-industry groups, farm groups, rural organizations, community groups, farm worker groups, food groups, church groups, and environmental organizations to broaden input into research and extension priority setting.

(10) programs to strengthen the role of the Department of Agriculture in International agricultural research, extension, education and international development programs and related activities of the Department and cooperating State universities and land grant colleges, in cooperation with the Agency for International Development, as appropriate; and

(11) a plant and animal genome mapping program to decipher the set of genetic instructions that guides the development of important food and forest species and coordinate the activities of the Federal, State, and private sector concerning genome mapping in a national effort to preserve and document the valuable plant, animal, and microbia germplasm in the genebanks within the United States.

SEC. 1404. When used in this title—

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(15) the term "cooperating foresty schools" means those institutions eligible to receive funds under the Act of October 10, 1962 (16 U.S.C. 582a et seq.), commonly known as the McIntire-Stennis Act of 1962; [and]

(16) the term "State cooperative institutions" or "State cooperative agents" means institutions or agents designated by—

(A) the Act of July 2, 1862 (7 U.S.C. 301 et seq.), commonly known as the First Morrill Act;

(B) the Act of August 30, 1890 (7 U.S.C. 321 et seq.), commonly known as the Second Morrill Act, including the Tuskegee Institute;

(C) the Act of March 2, 1887 (7 U.S.C. 361a et seq.), commonly known as the Hatch Act of 1887;

(D) the Act of May 8, 1914 (7 U.S.C. 341 et seq.), commonly known as the Smith-Lever Act;

(E) the Act of October 10, 1962 (16 U.S.C. 582a et seq.), common known as the McIntire-Stennis Act of 1962; and

(F) subtitles E, *G*, L, and M of this title [.]*; and*

(17) the term "Technology Board" means the Agriculutral Science and Technology Reivew Board established under section 1413B.

Subtitle B—Coordination and Planning of Agricultural Research, Extension, and Teaching

RESPONSIBILITIES OF THE SECRETARY AND DEPARTMENT OF AGRICULTURE

SEC. 1405. The Department of Agriculture is designated as the lead agency of the Federal Government for agricultural research (except with respect to the biomedical aspects of human nutrition concerned with diagnosis or treatment of disease), extension, and teaching in the food and agricultural sciences, and the Secretary, in carrying out the Secretary's responsibilities, shall—

* * * * * * *

(11) coordinate the efforts of States, State cooperative institutions, State extension services, the Joint Council, the Advisory Board, and other appropriate institutions in assessing their current status of, and developing a plan for, the effective transfer of new technologies, including biotechnology, to the farming community, with particular emphasis on addressing the unique problems of small- and medium-sized farms in gaining information about those technologies; [and]

(12) [establish] *after coordination with the Technology Board established under section 1413A, establish* appropriate controls with respect to the development and use of the application of biotechnology to agriculture[.]*;*

(13) establish a plant and animal genome mapping program to decipher the complete set of genetic instructions that guide the development of important food and forest species; and

(14) coordinate the activities of the Federal, State, and private sector in a national effort to preserve and document the valuable plant, animal, and microbial germplasm in the genebanks within the United States.

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SEC 1406A. APPLICATION OF PURPOSES TO AGRICULTURAL RESEARCH AND EXTENSION PROJECTS.

(a) REGULATIONS.—

(1) IN GENERAL.—Not later than 18 months after the date of enactment of this section, the Secretary shall promulgate regulations implementing the purposes identified in section 1403 for agricultural research and extension programs administered by the Secretary, and shall inform persons participating in such programs of such purposes.

(2) COMMENT PERIOD.—The public comment period applicable to the regulations under paragraph (1) shall be not less than 60 days.

(b) IDENTIFICATION OF PURPOSES IN AGRICULTURAL RESEARCH AND EXTENSION PROJECTS.—Except as provided in subsection (c), requests for proposals in agricultural research or extension that are issued by the Secretary and that will result in projects funded at a level of $10,000 or more shall identify—

(1) the purposes that the project seeks to further; and

(2) the effects of the project on—

(A) the purposes stated in section 1403A;

(B) the purposes underlying the law authorizing the project; or

(C) the annual and 5-year plan for research, teaching, and extension prepared by the Joint Council and the Advisory Board.

(c) RELATIONSHIP TO OTHER LAWS.—Subsection (b) shall not override requirements for specifying objectives of projects to be funded that are prescribed under—

(1) the Act of March 2, 1887 (24 Stat. 440, chapter 314; 7 U.S.C. 361a et seq.) (commonly known as the "Hatch Act of 1887"); or

(2) the Act of May 8, 1914 (38 Stat. 372, chapter 79; 7 U.S.C. 341 et seq.) (commonly known as the "Smith-Lever Act").

[JOINT COUNCIL ON FOOD AND AGRICULTURAL SCIENCES

[SEC. 1407. (a) The Secretary shall establish within the Department of Agriculture a committee to be known as the Joint Council on Food and Agricultural Sciences which shall have a term that expires September 30, 1990.

[(b) The Joint Council shall be composed of not fewer than twenty-five representatives of organizations or agencies which conduct or assist in conducting programs of research, extension, or teaching in the food and agricultural sciences, including State cooperative institutions; other colleges and universities having a demonstrable capacity to carry out food and agricultural research, extension, or teaching; agencies within the Department of Agriculture which have significant research, extension, or teaching responsibilities; the Office of Science and Technology Policy; other Federal agencies determined by the Secretary to be appropriate, and other public and private institutions, producers, and representatives of the public who are interested in and have a potential to contribute, as determined by the Secretary, to the formulation of national policy in the food and agricultural sciences. Members shall be appointed for a term of up to three years by the Secretary from nominations made by the organizations and agencies described in the preceding sentence. The terms of members shall be staggered. To ensure that regional differences are properly considered, at least one-half of the members of the Joint Council shall be appointed by the Secretary from among distinguished persons engaged in agricultural research, extension, or teaching programs at land-grant colleges and universities and State agricultural experiment stations. To ensure that other agricultural institutional views are considered by the Joint Council, two of the members of the Joint Council shall be appointed by the Secretary from among persons who are distinguished representatives of other colleges and universities having a demonstrable capacity to carry out food and agricultural research, extension, or teaching. To ensure that the views of food technologists are considered by the Joint Council, one of the members of the Joint Council shall, as determined to be appropriate by the Secretary, be appointed by the Secretary from among distinguished persons who are food technologists from accredited or certified departments of food technology, as determined

by the Secretary. The Joint Council shall be jointly chaired by the Assistant Secretary of Agriculture for research, extension, and teaching, and a person to be elected from among the non-Federal membership of the Joint Council.

[(c) The Joint Council shall meet at least once during each three-month period. At least one meeting each year shall be a combined meeting with the Advisory Board.

[(d)(1) The primary responsibility of the Joint Council is to bring about more effective research, extension, and teaching in the food and agricultural sciences in the United States by improving planning and coordination of publicly and privately supported food and agricultural science activities and by relating Federal budget development and program management to these processes.

[(2) The Joint Council's responsibilities shall also be to—

[(A) provide a forum for the interchange of information among the organizations represented by the members of the Joint Council that will assure improved awareness among these organizations concerning the agricultural research, extension, and teaching programs, results, and directions of each organization;

[(B) analyze and evaluate the economic, environmental, and social impacts of agricultural research, extension, and teaching programs conducted in the United States and determine high priority agricultural research areas, and submit annual reports identifying such high priority research areas to the Secretary;

[(C) develop and review the effectiveness of a system, for use by the Secretary, of compiling, maintaining, and disseminating information about each federally supported agricultural research or extension project and, to the maximum extent possible, information about private agricultural research and extension projects conducted by colleges and universities, foundations, contract research groups, businesses, and others. Information about private agricultural research and extension projects shall not be included in this system unless they are partially or entirely funded by the Federal Government or the organizations sponsoring the projects agree to the inclusion of information about such projects;

[(D) assist the parties in developing, reviewing, and evaluating memoranda of understanding or other documents that detail the terms and conditions between the Secretary and the participants in agricultural research, extension, and teaching programs under this Act and other Acts;

[(E) assist the Secretary in carrying out the responsibilities assigned to the Secretary under this title through planning and coordination in the food and agricultural sciences, by using, wherever possible, the existing regional research, extension, and teaching organizations of State cooperative institutions to provide regional planning and coordination, and by the development of recommendations and reports describing current and long-range needs, priorities, and goals in the food and agricultural sciences and means to achieve these goals;

[(F) develop, and review the effectiveness of, guidelines for use by the Secretary in making competitive grants under sec-

tion 2(b) of the Act of August 4, 1965 (79 Stat. 431; 7 U.S.C. 450i), as amended by section 1414 of this title;

[(G) submit a report—

[(i) not later than June 30 of each year, specifying the Joint Council's recommendations on priorities for food and agriculture research, extension, and teaching programs; delineating suggested areas of responsibility among Federal, State, and private organizations in carrying out such programs; and specifying the levels of financial and other support needed to carry out such programs;

[(ii) not later than November 30 of each year, specifying ongoing research, extension, and teaching programs; accomplishments of such programs; and future expectations of these programs; and

[(iii) not later than June 30, 1983, outlining a five-year plan for food and agricultural sciences that reflects the coordinated views of the research, extension, and teaching community; and updating this plan every two years thereafter.

Each such report shall be submitted to the Secretary of Agriculture. Minority views, if timely submitted, shall be included in such report; and

[(H) coordinate with the Secretary in assessing the current status of, and developing a plan for, the effective transfer of new technologies to the farming community.

[(e) The meetings of the Joint Council shall be publicly announced in advance and shall be open to the public. Appropriate records of the activities of the Joint Council shall be kept and made available to the public on request.

[(f) The Federal Advisory Committee Act 5 U.S.C. App.) and title XVIII of the Food and Agriculture Act of 1977 shall not apply to the Joint Council.

SEC. 1407. JOINT COUNCIL ON FOOD AND AGRICULTURAL SCIENCES.

(a) ESTABLISHMENT.—The Secretary shall establish within the Department of Agriculture a committee to be known as the Joint Council on Food and Agricultural Sciences which shall remain in existence until September 30, 1995.

(b) MEMBERSHIP.—The Joint Council shall be composed of not less than 19 members who represent organizations or agencies that conduct or assist in conducting programs of research, extension, or teaching in the food and agricultural sciences (including State cooperative institutions, other colleges and universities having a demonstrable capacity to carry out food and agricultural research, extension, or teaching, agencies within the Department of Agriculture and other Federal agencies that have significant research, extension, or teaching responsibilities), including—

(1) a representative of the National Institutes of Health;

(2) a representative of the National Science Foundations;

(3) a represenative of the Department of Energy;

(4) a representative of the Environmental Protection Agency;

(5) the Administrator of the Agricultural Research Service;

(6) the Administrator of the Cooperative State Research Service;

(7) the Administrator of the Extension Service;
(8) the Administrator of the Economic Research Service;
(9) the Chief of the Forest Service;
(10) the Director of the National Agricultural Library;
(11) the Assistant Secretary for Economics;
(12) the Assistant Secretary for Science and Education;
(13) a representative of the Experiment Station Committee on Policy established by land grant colleges;
(14) a representative of the Extension Committee on Policy established by land grant colleges;
(15) a representative of the Resident Instruction Committee on Policy established by land grant colleges;
(16) a representative of the International Committee on Policy established by land grant colleges;
(17) a representative of colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 419, chapter 841; 7 U.S.C. 321 et seq.) including Tuskegee University;
(18) a representative of the American Association of Schools and Colleges of Agriculture and Renewable Resources;
(19) a representative of the Council of Administrative Heads of Agriculture; and
(20) to the extent that the such Council is composed of in excess of 19 members, up to six additional individuals that the Secretary may identify as appropriate and capable of contributing to the formulation of national policy in the food and agricultural sciences.

(c) CHAIRPERSONS.—The Assistant Secretary for Science and Education and a representative of the land grant colleges shall be co-chairpersons of the Joint Council.

(d) TECHNICAL PANELS.—

(1) ESTABLISHMENT.—The Joint Council may establish such technical panels as the Joint Council considers necessary to prioritize and accomplish research and technology transfer in accordance with this section.

(2) DUTIES.—A panel established under paragraph (1) shall—
(A) define research and technology transfer needs;
(B) delineate alternatives and recommend research and technology transfer approaches;
(C) identify centers of expertise; and
(D) make recommendations regarding the overall level and mix of available funding.

(3) EXPERTISE.—Members of the panels established under paragraph (1) shall include experts from the public and private sector on all dimensions of a priority area, including its basic science, applied research, education, economic, and social dimensions.

(e) LIAISON TO ADVISORY BOARD.—One member of the Joint Council shall be elected annually to serve as liaison to the Advisory Board established under section 1408.

(f) MEETINGS.—The Joint Council shall meet at least once during each 3-month period. At least one meeting each year shall be a combined meeting with the Advisory Board and with other representatives of Federal agencies that support agricultural research.

(g) RESPONSIBILITIES.—

(1) PRIMARY.—The primary responsibility of the Joint Council shall be to bring about more effective research, extension, and teaching in the food and agricultural sciences in the United States by improving planning and coordination of publicly and privately supported food and agricultural science activities and by relating Federal budget development and management program management to such activities.

(2) ADDITIONAL.—The Joint Council shall—

(A) provide a forum for the interchange of information among the organizations represented by the members of the Joint Council that will ensure improved awareness among the organizations concerning the agricultural research, extension, and teaching programs, results, and directions of each organization;

(B) analyze and evaluate the economic, environmental, and social impacts of agricultural research extension and teaching programs conducted in the United States and determine high priority agricultural research areas with particular attention being paid to the potential of such to advance the purposes expressed in section 1403A, and submit annual reports identifying such high priority research areas to the Secretary and representatives of Federal agencies that support agricultural research;

(C) develop and review the effectiveness of the system, for use by the Secretary and representatives of Federal agencies that support agricultural research, of compiling, maintaining, and disseminating information concerning—

(i) Federally supported agricultural research or extension projects; and

(ii) to the maximum extent possible, private agricultural research and extension projects conducted by colleges and universities, foundations, contract research groups, business and others, except that information on private agricultural research and extension projects shall not be included in the system unless they are partially or entirely funded by the Federal Government or the organizations sponsoring the projects agree to the including of information about such projects;

(D) assist the parties in developing, reviewing, and evaluating memoranda of understanding or other documents that detail the terms and conditions between the Secretary and the participants in agricultural research, extension, and teaching programs under this Act and other Acts;

(E) assist the Secretary and representatives of other Federal agencies that support agricultural research in carrying out the responsibilities assigned to the Secretary and the representatives of other Federal agencies that support agricultural research under this Act through planning and coordination in the food and agricultural sciences by—

(i) using, wherever possible, the existing regional research, extension, and teaching organizations of State cooperative institutions to provide regional planning and coordination; and

(ii) the development of recommendations and reports describing current and long-range needs, priorities, and goals in the food and agricultural sciences and the means to achieve the goals;

(F) on the recommendation of the Advisory Board—

(i) oversee and prioritize funds made available to the Department of Agriculture for agricultural research, extension, and teaching to promote the purpose of section 1403A and this section:

(ii) provide an annual review and prioritize requests for agricultural related special research and construction grants;

(iii) provided an annual review of the competitive grants made by the Secretary to determined priority research and grant categories and type that the best advance the purposes expressed in section 1403A; and

(iv) review and make budget recommendations on the research, extension, and teaching budgets for the Agricultural Research Service, the Forest Service, the Economic Research Service, the Extension Service, the National Agricultural Library, and the Cooperative State Research Service;

(G) submit a report—

(i) not later than June 30 of each year, specifying—

(I) the recommendations of the Joint Council on priorities for food and agricultural research, extension, and teaching programs;

(II) suggested areas of responsibility among Federal, State, and private organizations in carrying out such programs; and

(III) the levels of financial and other support needed by carry out such programs;

(ii) not later than November 30 of each year specifying—

(I) ongoing research, extension, and teaching program;

(II) accomplishments of such programs; and

(III) the levels of financial and other support needed to carry out such programs;

(iii) not later than November 30, 1990, outlining a 5-year plan for food and agricultural sciences that reflects the coordinated views of the research, extension, and teaching community, and updating the plan every 2 years thereafter;

with each such report submitted to Congress, the Secretary, and the directors of Federal agencies who are supporting agricultural research, and with minority views, if timely submitted; and

(H) coordinate with the Secretary in assessing the current status of, and developing a plan for, the effective transfer of new technologies to the farming community.

(h) PUBLICITY OF MEETINGS AND ACTIVITIES.—The meetings of the Joint Council shall be publicly announced in advance and shall be

open to the public. Appropriate records of the activities of the Joint Council shall be kept and made available to the public on request.

(i) NONAPPLICABILITY OF OTHER FEDERAL PROVISIONS.—The Federal Advisory Committee Act (5 U.S.C. App.) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to the Joint Council.

NATIONAL AGRICULTURAL RESEARCH AND EXTENSION USERS ADVISORY BOARD

[SEC. 1408. (a) The Secretary shall establish within the Department of Agriculture a board to be known as the National Agricultural Research and Extension Users Advisory Board which shall have a term that expires September 30, 1990.

[(b) The Advisory Board shall be composed of the following twenty-five members to be appointed by the Secretary to serve staggered terms—

[(1) eight members representing producers of agricultural, forestry, and aquacultural products, from the various geographical regions,

[(2) four members representing consumers interests,

[(3) two members representing farm suppliers and food and fiber processors,

[(4) two members representing food marketing interests,

[(5) two members representing environmental interests,

[(6) one member engaged in rural development work,

[(7) two members engaged in human nutrition work,

[(8) one member representing animal health interests,

[(9) one member engaged in transportation of food and agricultural products to domestic or foreign markets,

[(10) one member representing labor organizations primarily concerned with the production, processing, distribution, or transportation of food and agricultural products, and

[(11) one member representing private sector organizations involved in development programs and issues in developing countries.

[(c) The Advisory Board shall select a chairman and vice-chairman from its membership, at its first meeting each year, who shall serve in those positions for a term of one year.

[(d) The Advisory Board shall meet at least once during each four-month period. At least one meeting each year shall be a combined meeting with the Joint Council.

[(e) The Advisory Board is authorized to establish such panels as it deems appropriate to develop information, reports, advice, and recommendations for the use of the Advisory Board in meeting its responsibilities. Members of such panels may include members of the Advisory Board, Advisory Board staff members, individuals from the Department of Agriculture and other departments and agencies of the Federal Government, and individuals from the private sector who have expertise in the subject to be examined by the panel.

[(f)(1) The Advisoy Board shall have general responsibility for preparing independent advisory opinions on the food and agricultural sciences.

[(2) The Advisory Board shall have the specific responsibilities for—

[(A) reviewing the policies, plans, and goals of programs within the Department of Agriculture involving the food and agricultural sciences, and related programs in other Federal and State departments and agencies and in the colleges and universities developed by the Secretary under this title;

[(B) reviewing and assessing the extent of agricultural research and extension being conducted by private foundations and businesses, and the relationships of such research and extension to federally supported agricultural research and extension;

[(C) reviewing and providing consultation to the Secretary on national policies, priorities, and strategies for agricultural research and extension for both the short and long term;

[(D) assesssing the overall adequacy of, and making recommendations to the Secretary with regard to, the distribution of resources and the allocation of funds authorized by this title;

[(E) preparing and submitting to the Secretary, not later than July 1 of each year, a statement of recommendations as to allocations of responsibilities and levels of funding among federally supported agricultural research and extension programs, which shall include a review and an assessment of the allocation of funds for agricultural research and extension made for the preceding fiscal year by the organizations represented on the Joint Council. Minority views, if timely submitted, shall be included in the submission. The Secretary shall submit copies of the statement to the Subcommittee on Food and Renewable Resources of the Federal Coordinating Council for Science, Engineering, and Technology, and the Joint Council;

[(F) not later than February 20 of each year submitting a report on its appraisal of the President's proposed budget for the food and agricultural sciences for the fiscal year beginning in such year and the recommendations of the Secretary contained in the annual submittted by the Secretary pursuant to the provisions of section 1410 of this title. Such report shall be submittted to the President, the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropriations. The report may include the separate views of members of the Advisory Board. The first report shall be due not later than March 1, 1979; and

[(G) coordinating with the Secretary in assessing the current status of, and developing a plan for, the effective transfer of new technologies to the farming community.]

SEC. 1408. NATIONAL AGRICULTURAL RESEARCH AND EXTENSION USERS ADVISORY BOARD.

(a) ESTABLISHMENT.—The Secretary shall establish within the Department of Agriculture a board to be known as the National Agricultural Research and Extrension Users Advisory Board (hereinafter referred to in this section as the 'advisory Board') which shall remain in existence until September 30, 1995.

(b) MEMBERSHIP.—The Advisory Board shall be composed of 21 members to be appointed by the Secretary, and to serve staggered terms, in a manner determined appropriate by the Secretary, with

(1) one member who is a producer representing farm cooperatives;

(2) two members who are producers representing general farm organizations;

(3) four members who are producers representing agricultural comodities, forest product, and aquacultural product groups from various geographic regions;

(4) one member representing agricultural farm suppliers;

(5) one member representing food and fiber processors;

(6) one member representing animal health interests;

(7) one member engaged in transportation of food and agricultural products to domestic or foreign markets;

(8) one member representing labor organizations primarily concerned with the production, processing, distribution, or transport of food and agricultural products;

(9) one member representing food marketing interests;

(10) one member representing private nonprofit organizations and foundations involved in agricultural research, sustainable agricultural research, education, and extension;

(11) one member representing private sector organizations involved in development programs and issues in developing countries;

(12) one member representing agencies of the Department of Agriculture that do not have research capabilities;

(13) one member engaged in rural development work;

(14) one member engaged in human nutrition work;

(15) two members representing consumer interests, including one member who represents nonprofit consumer advocacy organizations; and

(16) one member representing nonprofit environmental protection organizations.

(c) CHAIRPERSON; VICE-CHAIRPERSON.—The members of the Advisory Board shall select a chairperson and vice-chairperson from their membership at the first meeting each year of the Board, who shall serve in such positions for a term of 1 year.

(d) MEETINGS.—The Advisory Board shall meet a sufficient number of times each year to carry out its responsibilities under subsection (f). At least one meeting per year shall be a combined meeting with the Joint Council established under section 1407 and with other representatives of Federal agencies that support agricultural research.

(e) PANELS.—The Advisory Board may establish such panels as the Advisory Board considers appropriate to develop information, reports, advice, and recommendations for the use of the Advisory Board in meeting the responsibilities of the Advisory Board. Members of such panels may include members of the Advisory Board, Advisory Board staff members, individuals from the Department of Agriculture and other departments and agencies of the Federal government, and individuals from the private sector who have expertise in the subject to be examined by the panel.

(f) RESPONSIBILITIES.—

(1) GENERAL.—The Advisory Board shall have general responsibility for preparing independent advisory opinions on the food and agricultural sciences. One member of the Advisory Board shall be elected annualy to serve as liaison to the Joint Council established under section 1407.

(2) SPECIFIC.—The Advisory Board shall have specific responsibility for—

(A) reviewing the policies, plans, and goals of programs within the Department of Agriculture involving the food and agricultural sciences, and related programs in other Federal and State departments and agencies and in the colleges and universities developed by the Secretary under this Act;

(B) reviewing and assessing the extent of agricultural research, teaching, and extension being conducted by the private sector and the relationships and coordination of such activities with Federally supported agricultural research, teaching, and extension programs;

(C) reviewing and providing consultation to the Secretary on national policies, priorities and strategies for agricultural research and extension for both the short and long term;

(D) assessing the overall adequacy of, and making recommendations to the Secretary, Federal agencies, and private organizaitons who are contributing to agricultural research, extension, and education funding, with regard to the distribution of resources and the allocation of funds authorized by this Act;

(E) identifying emerging agricultural research, teaching, and extension isues and suggesting programs and technology transfer solutions for use by the public and private agricultural science and education community;

(F) evaluating the results and the effectiveness of research and extension programs as to their influence on long-term goals of agriculture expressed in section 1403A and consumer needs;

(G) not later than July 1 of each year, providing an oral briefing to the Secretary (by the chairperson of the Advisory Board), and a written report on recommendations to the appropriate Committees of Congress and the Secretary, concerning the allocation of responsibilities and levels of funding among Federally supported agricultural research and extension programs, including—

(i) a review and assessment of the allocation of funds for agricultural research and extension made for the preceding fiscal year by organizations represented by the members on the Joint Council established under section 1407;

(ii) an evaluation of—

(I) the effectiveness of coordination of Federal and private research initiatives;

(II) new research and extension programs that need to be conducted by the research system; and

(III) an evaluation of the effectiveness of the private and public research and extension system; and

(iii) minority views, if timely submitted; and

(H) not later than February 20 of each year, submitting, to the President, the appropriate Committees of Congress, and the Joint Council established under section 1407, a report containing—

(i) an appraisal by the Advisory Board of the proposed budget of the president for the food and agricultural sciences for the fiscal year begining in such year;

(ii) the recommendations of the Secretary contained in the annual report submitted by the Secretary pursuant to section 1410; and

(iii) separate views of members of the Advisory Board, if timely submitted.

(3) REPORTS.—Each report prepared by the Advisory Board shall list the membership of the Board, including the organizational and employment affiliation of each Board member.

(g) REPORT BY SECRETARY.—Not later than February 1 of each year, the Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report that describes the manner in which the recommendations of the Advisory Board have been incorporated into the budget and programs of the Department of Agriculture.

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SECRETARY'S REPORT

SEC. 1410. The Secretary shall submit to the President and Congress by January 1 of each year a report on the Nation's agricultural research, extension, and teaching activities, ands such report shall include—

(1) a review covering the following three categories of activities of the Department of Agriculture with respect to agricultural research, extension, and teaching activities and the relationship of these activities to similar activities of other departments and agencies of the Federal Government, the States, colleges and universities, and the private sector—

(A) a current inventory of such activities organized by statutory authorization and budget outlay;

(B) a current inventory of such activities organized by field of basic and applied science; and

(C) a current inventory of such activities organized by commodity and product category;

(2) the statements of recommendations of the Joint Council developed pursuant to the provisions of section 1407(d)(2)(G) of this title and the statement of recommendations of the Advisory Board developed pursuant to the provisions of section 1408(f)(2)(E) of this title *and the Technology Board established under section 1413A*; and

(3) in the second and succeeding years, a five-year projection of national priorities with respect to agricultural research, ex-

tension, and teaching, taking into account both domestic and international needs.

* * * * * * *

[SEC. 1412. SUPPORT FOR THE JOINT COUNCIL AND ADVISORY BOARD]

SEC. 1412. SUPPORT FOR THE JOINT COUNCIL, ADVISORY BOARD AND TECHNOLOGY BOARD.

(a) To assist the Joint Council [and the Advisory Board], *the Advisory Board and the Technology Board established under section 1413A* in the performance of their duties, the Secretary may appoint, after consultation with the cochairpersons of the Joint Council and the chairperson of the Advisory Board *and the Technology Board*—

(1) the full-time executive director who shall perform such duties as the cochairpersons of the Joint Council and the chairperson of the Advisory Board *and the Technology Board* may direct and who shall receive compensation at a rate not to exceed the rate payable for GS–18 of the General Schedule established in section 5332 of title 5, United States Code; and

(2) a professional staff of not more than five full-time employees qualified in the food and agricultural sciences, of which one shall serve as the executive secretary to the Joint Council and one shall serve as the executive secretary to the Advisory Board *and one shall serve as the executive secretary to the Technology Board.*

(b) The Secretary shall provide such additional clerical assistance and staff personnel as may be required to assist the Joint Council [and Advisory Board], *the Advisory Board and the Technology Board* in carrying out their duties.

(c) In formulating their recommendations to the Secretary, the Joint Council [and Advisory Board], *the Advisory Board and the Technology Board* may obtain the assistance of Department of Agriculture employees, and, to the maximum extent practicable, the assistance of employees of other Federal departments and agencies conducting related programs of agricultural research, extension, and teaching and of appropriate representatives of colleges and universities, including State agricultural experiment stations, cooperative extension services, and other non-Federal organizations conducting significant programs in the food and agricultural sciences.

GENERAL PROVISIONS

SEC. 1413. (a) Any vacancy in the Joint Council [or the Advisory Board], *the Advisory Board or the Technology Board established under section 1413A* shall not affect their powers under this title and shall be filled in the same manner as the original position.

(b) Members of the Joint Council [and Advisory Board] ,*the Adivisory Board and the Technology Board* shall serve without compensation, if not otherwise officers or employees of the United States, except that they shall, while away from their homes or regular places of business in the performance of services under this title, be allowed travel expenses, including per diem in lieu of subsistence, in the manner as persons employed intermittently in the

Government service are allowed expenses under sections 5701 through 5707 of title 5 of the United States Code.

(c) There are authorized to be appropriate annually such sums as Congress may determine necessary to carry out the provisions of section 1412 of this title and subsection (b) of this section.

[(d) The Subcommittee on Food, Agricultural, and Forestry Research, the Joint Council, and the Advisory Board shall improve communication and interaction among themselves and with others in the agricaultural science and education system through such mechanisms as the exchange of reports, joint meetings, and the use of liaison representatives.]

[(e)] *(d)* The President shall appoint, by and with the advice and consent of the Senate, an Assistant Secretary of Agriculture who shall perform such duties as are necessary to carry out this title and who shall receive compensation at the rate now or hereafter prescribed by law for Assistant Secretaries of Agriculture.

[BIOMASS ENERGY EDUCATIONAL AND TECHNICAL ASSISTANCE PROGRAMS

[SEC. 1413A. (a) The Secretary, in cooperation with State directors of cooperative extension, administrators of extension for land-grant colleges and universities, State foresters or equivalent State officials and the heads of other Federal departments and agencies, shall provide educational programs for producers of agricultural commodities, wood, and wood products to—

[(1) inform such producers of the feasibility of using biomass for energy;

[(2) disseminate to such producers information regarding the results of research regarding the use of biomass for energy;

[(3) inform such producers of the best available technology for the use of biomass for energy;

[(4) provide technical assistance to such producers to improve their ability to efficiently use biomass for energy; and

[(5) disseminate to such producers the results of research on energy conservation techniques and encourage such producers to adopt such techniques.

[(b) All appropriate educational methods, including meetings, short courses, workshops, tours, demonstrations, publications, news releases, and radio and television programs may be used to carry out subsection (a).

[(c) The State director of cooperative extension in each State shall develop a single, comprehensive, and coordinated plan which includes every biomass energy educational and technical assistance program in effect or proposed in such State, except that in those States which contain more than one land-grant college or university, such plan shall be jointly developed by the administrative heads of extension of such institutions. Such plan shall be developed with the full participation of the State forester or the equivalent State officials of such State. Each State's plan shall be submitted to the Secretary annually for approval. The Advisory Board shall review and make recommendations to the Secretary pertaining to programs conducted under this section. Each State shall submit an annual progress report on the operation of its plan to the Secretary

before January 1 following the fiscal year for which such report is made.

[(d) Funds made available under this section shall be provided to the State director of cooperative extension and the administrators of extension for land-grant colleges and universities in each State in a manner consistent with the effective implementation of this section.

[(e) For purposes of this section—

[(1) the term "biomass" means any organic matter which is available on a renewable basis, including agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, and animal wastes, except that such term does not include aquatic plants and municipal wastes;

[(2) the term "biomass energy" means any gaseous, liquid, or solid fuel produced by conversion of biomass, and energy or steam derived from the direct combustion of biomass for the generation of electricity, mechanical power, or industrial process heat; and

[(3) the term "municipal wastes" means any organic matter, including sewage, sewage sludge, and industrial or commercial waste, and mixtures of such matter and inorganic refuse—

[(i) from any publicly or privately operated municipal waste collection or similar disposal system; or

[(ii) from similar waste flows (other than such flows which constitute agricultural wastes or residues, or wood wastes or residues from wood harvesting activities or production of forest products).

[(f) There is authorized to be appropriated to carry out this section $10,000,000 for each of the fiscal years 1981, 1982, 1983, and 1984.

SEC. 1413A. AGRICULTURAL SCIENCE AND TECHNOLOGY REVIEW BOARD.

(a) ESTABLISHMENT.—The Secretary, acting through the Joint Council established under section 1407, shall establish and oversee an Agricultural Science Technology Review Board (hereinafter referred to in this section as the "Board").

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Board shall be composed of 11 individuals, to be appointed by the Secretary, who have expertise in technology assessment, environmental sciences, rural sociology, international agricultural issues, the social sciences, agricultural sciences (both basic and applied), technology transfer, and education, including representatives of—

(A) the Agricultural Research Service;

(B) the Cooperative State Research Service;

(C) the Extension Service;

(D) private foundations and nonprofit organizations who have expertise in agricultural research, education, and technology transfer;

(E) private agricultural research and technology transfer firms; and

(F) the Land Grant University System.

(2) MANNER OF APPOINTMENT.—The Secretary shall appoint members of the Board in a manner determined to be appropriate by the Secretary.

(3) PRIVATE SECTOR REPRESENTATION.—A majority of the members of the Board appointed under paragraph (1) shall be from the private sector.

(4) TERMS.—Members of the Board shall serve for staggered terms of 3 years, as determined appropriate by the Secretary.

(5) CHAIRPERSON.—The Board shall select a chairperson from its membership, who shall serve in that position for a term of 1 year.

(c) TECHNICAL INTERPRETATION AND ASSESSMENTS.—

(1) IN GENERAL.—The Board shall—

(A) provide technical interpretation and translation of current and emerging agricultural and environmental science issues for use by the Joint Council and the Advisory Board in setting priorities and conducting evaluations; and

(B) provide technology assessment of current and emerging public and private agricultural research and technology transfer initiatives, including emerging technologies from private industry and public institutions that would influence agriculture, environment, nutrition, and the broad social, economic, and health consequences on urban and rural communities.

(2) PRIVATE SECTOR ANALYSES.—The Board may conduct an assessment of private sector agricultural research and technology transfer initiatives involving a private sector entity only to the extent the entity is willing to cooperate in the assessment.

(d) TECHNOLOGY ASSESSMENT REPORT.—

(1) IN GENERAL.—Not later than December 31 of each year, the Board shall prepare a report that contains a technology assessment of emerging public and private agricultural research initiatives and activities, including—

(A) recommendations on how such research would be best directed to advance the goals and purposes set forth in section 1403A; and

(B) an assessment of activities conducted by the Secretary, research components of public and private colleges and universities, and emerging private agricultural research initiatives.

(2) RECIPIENTS.—The Board shall submit the report required under paragraph (1) to the appropriate Committees of Congress, to the Secretary, to the heads of other Federal agencies who support agricultural research, and (on request) to private organizations who have a significant involvement in agricultural research.

(3) MINORITY VIEWS.—The Board shall include minority views in the report, if timely submitted.

[GRANTS AND FELLOWSHIPS FOR FOOD AND AGRICULTURAL SCIENCES EDUCATION

[SEC. 1417. (a)(1) The Secretary shall promote and develop higher education in the food and agricultural sciences by formulating and administering higher education programs.

[(2) The Secretary may make grants to land-grant colleges and universities, and to other colleges and universities having a demonstrable capacity to carry out food and agricultural teaching, for a period not to exceed five years—

[(A) to strengthen institutional capacities to respond to State, national, or international educational needs in the food and agricultural sciences;

[(B) to attract students and to educate them as needed in the food and agricultural sciences, and to attract needed professionals to provide for their professional improvement in the food and agricultural sciences;

[(C) to design and implement innovative food and agricultural educational programs; and

[(D) to facilitate cooperative agreements between two or more eligible institutions to maximize the use of faculty and facilities to improve their food and agricultural teaching programs.

Each recipient institution shall have a significant ongoing commitment to the food and agricultural sciences generally and to the specific subject area for which such grant is to be used.

[(3) The Secretary may make competitive grants to colleges and universities for a period not to exceed five years—

[(A) to develop or administer programs to meet unique food and agricultural educational problems; and

[(B) to administer and conduct specialized programs to attract individuals for undergraduate and graduate programs and to administer and conduct graduate fellowship programs to meet regional and national objectives in the food and agricultural sciences.

Each recipient institution shall have a significant ongoing commitment to the food and agricultural sciences generally and to the specific subject area for which such grant is to be used.

[(b) The Secretary shall conduct a program of predoctoral and post-doctoral fellowships in the food and agricultural services. These fellowships shall be made in the following two categories:

[(1) Predoctoral fellowships, each of a period of up to four years. The purpose of these fellowships shall be to provide training and increase research capabilities in areas of need as identified by each State. These fellowships shall be awarded on the basis of merit, as determined by review panels established annually by the Secretary, to graduate students from each of the States, if the following criteria are satisfied:

[(A) the student is enrolled in a graduate degree program in a college or university; and

[(B) the student intends to pursue or is pursuing a course of study in the food and agricultural sciences which is directly related to an area of need as identified by the Governor or chief executive officer of the State.

At least three such fellowships shall be awarded to students from each State in every year.

[(2) Postdoctoral fellowships, each of a period of from one to five years. The purposes of these fellowships shall be to attract highly promising investigators to research careers in the basic sciences related to agriculture and to provide stipends and research support for their trailing and establishment as independent investigators. In making awards under this paragraph, the Secretary shall give priority to individuals doing basic research at colleges and universities.

[(c) Funds authorized in section 22 of the Act of June 29, 1935 (49 Stat. 439, as amended; 7 U.S.C. 329), are transferred to and shall be administered by the Secretary of Agriculture. There are hereby transferred to the Secretary all the functions and duties of the Secretary of Education under the Act of June 29, 1935 (7 U.S.C. 329) applicable to the activities and programs for which funds are made available under section 22 of such Act.

[(d) There are authorized to be appropriated for purposes of carrying out this section $50,000,000 for each of the fiscal years ending September 30, 1982, through September 30, 1990.

[(e) The Federal Advisory Committee Act (5 U.S.C. App. 2.) and title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications or proposals submitted under this section.

SEC. 1417. GRANTS AND FELLOWSHIPS FOR FOOD AND AGRICULTURAL SCIENCES EDUCATION.

(a) HIGHER EDUCATION TEACHING PROGRAMS.—

(1) IN GENERAL.—The Secretary shall promote and strengthen higher education in the food and agricultural sciences by formulating and administering programs to enhance college and university teaching programs in agriculture, natural resources, forestry, veterinary medicine, home economics, and disciplines closely allied to the food and agricultural system.

(2) GRANTS.—The Secretary may make competitive grants, or grants without regard to any requirement for competition, to land grant colleges and universities, to colleges and universities with significant minority enrollments having a demonstrable capacity to carry out the teaching of food and agricultural sciences, and to other colleges and universities having a demonstrable capacity to carry out the teaching of food and agricultural sciences, for a period not to exceed 5 years—

(A) to strengthen institutional capacities, including curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, to respond to identified State, regional, national, or international educational needs in the food and agricultural sciences;

(B) to attract and support undergraduate and graduate students in order to educate the students in national need areas of the food and agricultural sciences;

(C) to facilitate cooperative initiatives between two or more eligible institutions, or between eligible institutions and units of State government or organizations in the private sector, to maximize the development and use of re-

sources such as faculty, facilities, and equipment to improve food and agricultural sciences teaching programs;

(D) to conduct undergraduate scholarship programs to meet national and international needs for training food and agricultural scientists and professionals; and

(E) to conduct graduate and postdoctoral fellowship programs to attract highly promising individuals to research or teaching careers in the food and agricultural sciences.

(3) ELIGIBILITY.—To be eligible for a grant under this subsection, a recipient institution must have a significant demonstrable commitment to higher education teaching programs in the food and agricultural sciences and to each specific subject area for which the grant is to be used.

(4) MINORITY GROUPS.—The Secretary may set aside a portion of the funds appropriated for the awarding of grants under this subsection, and make such amounts available only for grants to eligible colleges and universities that the Secretary determines have unique capabilities for achieving the objective of full representation of minority groups in the food and agricultural sciences workforce of the United States.

(5) NATIONAL NEED FOR TRAINED PROFESSIONALS AND SCIENTISTS.—The Secretary may require that any grants awarded under this subsection contain provisions that require funds to be targeted to meet the needs identified in section 1402(17).

(b) EVALUATION OF TEACHING PROGRAMS.—The Secretary shall conduct programs to develop, analyze, and provide to colleges and universities data and information that are essential to the evaluation of the quality of teaching programs and to facilitate the design of more effective programs comprising the food and agricultural sciences higher education system of the United States.

(c) CONTINUING EDUCATION.—The Secretary shall conduct special programs with colleges and universities, and with organizations in the private sector, to support educational initiatives to enable food and agricultural scientists and professionals to maintain their knowledge of changing technology, the expanding knowledge base, societal issues, and other factors that impact the skills and competencies needed to maintain the expertise base available to the agricultural system of the United States. The special programs shall include grants and technical assistance.

(d) TRANSFERS.—

(1) FUNDS.—Funds authorized in section 22 of the Act of June 29, 1935 (49 Stat. 439, chapter 338; 7 U.S.C. 329) are transferred to and shall be administered by the Secretary of Agriculture.

(2) FUNCTIONS AND DUTIES.—There are transferred to the Secretary all the functions and duties of the Secretary of Education under the Act of June 29, 1935 applicable to the activities and programs for which funds are made available under section 22 of such Act.

(e) AWARDS PROGRAM.—

(1) ESTABLISHMENT.—The Secretary shall establish a National Food and Agricultural Sciences Teaching Awards program to recognize and promote excellence in teaching food and agricultural sciences at a college or university.

(2) AWARDS.—In implementing the program established under paragraph (1), the Secretary shall designate at least 6 regions of the United States in which awards will be made on an annual basis. Such awards may be in cash to nominees selected by the Secretary.

(3) FUNDING.—

(A) TRANSFERS.—The Secretary may transfer funds from amounts appropriated for the conduct of any agricultural research, extension, or teaching program to an account established pursuant to this section for the purpose of making the awards.

(B) GIFTS.—The Secretary may accept gifts in accordance with Public Law 95-442 (7 U.S.C. 2269) for the purpose of making the awards.

(f) ADMINISTRATION.—The Federal Advisory Committee Act (5 U.S.C. App. 2) and title II of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications, proposals, or nominations for awards submitted under this section.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carrying out this section $70,000,000 for each of the fiscal years 1990 through 1995, of which $10,000,000 shall be used for the national needs graduate fellowship program referred to in subsection (a)(2)(E).

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[GRANTS FOR RESEARCH ON THE PRODUCTION AND MARKETING OF ALCOHOLS AND INDUSTRIAL HYDROCARBONS FROM AGRICULTURAL COMMODITIES AND FOREST PRODUCTS, AND AGRICULTURAL CHEMICALS AND OTHER PRODUCTS FROM COAL DERIVATIVES

[SEC. 1419. (a) The Secretary shall make grants under this subsection to colleges, universities, Government corporations, and Federal laboratories for the purpose of conducting research related to the production and marketing of (1) coal tar, producer gas, and other coal derivatives for the manufacture of agricultural chemicals, methanol, methyl fuel, and alcohol-blended motor fuel (such agricultural chemicals to include, but not be limited to, fertilizers, herbicides, insecticides, and pesticides), (2) alcohol and other forms of biomass energy as substitutes for petroleum or natural gas, and (3) other industrial hydrocarbons made from agricultural commodities and forest products. The authority to conduct research under paragraph (2) does not include authority to conduct research with respect to technology demonstrations of integrated systems for commercialization of technologies for applications other than agricultural or uniquely rural applications. The Secretary may make grants under this subsection to such colleges, universities, Government corporations, and Federal laboratories for the purpose of conducting research relating to the development of the most economical and commercially feasible means of collecting and transporting wastes, residues, and by-products for use as feedstocks for the production of alcohol and other forms of biomass energy. At least 25 per centum of the amount appropriated in any fiscal year for research under paragraph (2) shall be made available for grants

under this subsection for research, relating to the production of alcohol, to identify and develop agricultural commodities, including alfalfa, sweet sorghum, black locust, and cheese whey, which may be suitable of such production. At least 25 per centum of the amount appropriated in any fiscal year for research under paragraph (2) shall be made available for grants under this subsection for research relating to the development of technologies for increasing the energy efficiency and commercial feasibility of alcohol production, including processes of cellulose conversion and cell membrane technology. There are hereby authorized to be appropriated for the purposes of carrying out the provision of this subsection, $3,000,000 for the fiscal year ending September 30, 1978, and such sums as may be necessary for the subsequent fiscal years ending September 30, 1979, September 30, 1980, September 30, 1981, September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985: *Provided,* That the total amount of such appropriations shall not exceed $40,000,000 during the eight-year period beginning October 1, 1977, and shall not exceed such sums as may be authorized by law for any fiscal year subsequent to such period: *Provided further,* That not more than a total of $5,000,000 may be awarded to the colleges and universities of any one State. In addition to the authorization of appropriations provided in the preceding sentence, there is authorized to be appropriated for grants to conduct research described in paragraph (2) and in the third sentence of this subsection $12,000,000 for each of the fiscal years ending September 30, 1981; September 30, 1982; September 30, 1983; and September 30, 1984.

[(b) For purposes of subsection (a)—

[(1) the term "biomass" means any organic matter which is available on a renewable basis, including agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, and animal wastes, except that such term does not include aquatic plants and municipal wastes;

[(2) the term "biomass energy" means any gaseous, liquid, or solid fuel produced by conversion of biomass, and energy or steam derived from the direct combustion of biomass for the generation of electricity, mechanical power, or industrial process heat; and

[(3) the term "municpal wastes" means any organic matter, including sewage, sewage sludge, and industrial or commercial waste, and mixtures of such matter and inorganic refuse—

[(i) from any publicly or privately operated municipal waste collection or similar disposal system; or

[(ii) from similar waste flows (other than such flows which constitute agricultural wastes or residues, or wood wastes or residues from wood harvesting activities or production of forest products).]

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Subtitle E—Animal Health and Disease Research

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ANIMAL HEALTH SCIENCE RESEARCH ADVISORY BOARD

SEC. 1432. (a) The Secretary shall establish a board to be known as the Animal Health Science Research Advisory Board which shall have a term that expires September 30, [1990] *1995*, and which shall be composed of the following eleven members—

(1) a representative of the Agricultural Research Service of the Department of Agriculture,

(2) a representative of the Cooperative State Research Service of the Department of Agriculture,

(3) a representative of the Animal and Plant Health Inspection Service of the Department of Agriculture,

(4) a representative of the Bureau of Veterinary Medicine of the Food and Drug Administration of the Department of Health, Education, and Welfare, and

(5) seven members appointed by the Secretary—

(A) two persons representing accredited colleges of veterinary medicine,

(B) two persons representing State agricultural experiment stations, and

(C) three persons representing national livestock and poultry organizations.

The members shall serve without compensation, if not otherwise officers or employees of the United States, except that they shall, while away from their homes or regular places of business in the performance of services for the Board, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under sections 5701 through 5707 of title 5 of the United States Code.

(b) The Board shall meet at the call of the Secretary, but at least once annually, to consult with the advise the Secretary with respect to the [implementation of this subtitle] *conduct of animal health and disease programs under any authority of the Secretary* and to recommend immediate priorities for the conduct of *such* research programs [authorized under this subtitle], under such rules and procedures for conducting business as the Secretary shall, in the Secretary's discretion, prescribe.

APPRORIATIONS FOR CONTINUING ANIMAL HEALTH AND DISEASE RESEARCH PROGRAMS

SEC. 1433. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support continuing animal health and disease research programs at eligible institutions, but not to exceed $25,000,000 annually for the period beginning October 1, 1981, and ending September 30, [1990] *1995*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year. Funds appropriated under this section shall be used: (1) to meet expenses of conducting animal health and disease research, publishing and disseminating the results of such research, and contributing to the retirement of employees subject to the provisions of the Act of March 4, 1940 (54 Stat. 39–40, as amended; 7 U.S.C. 331); (2) for adminis-

trative planning and direction; and (3) to purchase equipment and supplies necessary for conducting such research.

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APPROPRIATIONS FOR RESEARCH ON NATIONAL OR REGIONAL PROBLEMS

SEC. 1434. (a) There are authorized to be appropriated such funds as Congress may determine necessary to support research on specific national or regional animal health or disease problems, but not to exceed $35,000,000 annually for the period beginning October 1, 1981, and ending September 30, [*1990*] *1995*, and not in excess of such sums as may after the date of enactment of this title be authorized by law for any subsequent fiscal year.

(b) Notwithstanding the provisions of sectiuon 1435 of this title, funds appropriated under this section shall be awarded in the form of grants, for periods not to exceed five years, to eligible institutions.

(c) In order to establish a rational allocation of funds appropriated under this section, the Secretary shall establish annually priority lists of animal health and disease problems of national or regional significance. Such lists shall be prepared after consultation with the Joint Council, the Advisory Board, and [the Board] *the Board and the Technology Board established under section 1413A*. Any recommendations made in connection with such consultation shall not be controlling on the Secretary's determination of priorities. In establishing such priorities, the Secretary, the Joint Council, the Advisory Board, and the Board shall consider the following factors;

* * * * * * *

Subtitle I—International Agricultural Research and Extension

SEC. 1458. [(a) The Secretary, subject to such coordination with other Federal officials, departments, and agencies as the President may direct, is authorized to—

[(1) expand the operational coordination of the Department of Agriculture with institutions and other persons throughout the world performing agricultural and related research and extension activities by exchanging research materials and results with such institutions or persons and by conducting with such institutions or persons joint or coordinated research and extension on problems of significance to food and agriculture in the United States;

[(2) assist the Agency for International Development with food, agricultural, research and extension programs in developing countries;

[(3) work with developed and transitional countries on food, agricultural and related research and extension, including providing technical assistance, training, and advice to persons from such countries engaged in such activities and the stationing of scientists at national and international institutions in such countries;

[(4) assist United States colleges and universities in strengthening their capabilities for foor, agricultural, and related research and extension relevant to agricultural development activities in other countries through the development of highly qualified scientists with specialization in international development; and

[(5) further develop within the Department of Agriculture highly qualified and experienced scientists who specialize in international programs, to be available for the activities described in this section.]

(a) To carry out the policy of this subtitle, the Secretary (subject to such coordination with other Federal officials, Departments, and agencies as the President may direct) is authorized to—

"(1) expand the operational coordination of the Department of Agriculture with institutions and other persons throughout the world performing agricultural and related research and extension activities by—

"(A) exchanging research materials and results with the institutions or persons; and

"(B) conducting with the institutions or persons joint or coordinated research and extension on problems of significance to food and agriculture in the United States;

"(2)(A) enter into cooperative arrangements with Departments and Ministeries of Agriculture in other nations (especially Western Europe, Eastern Europe, the Pacific Rim, and Latin America) to conduct research, extension, and education activities in support of the development of a viable and sustainable global agricultural system, including efforts to establish a global system for plant genetic resources conservation; and

"(B) at the option of the Secretary, enter into agreements with land grant universities, the Agency for International Development, and international organizations (such as the United Nations, World Bank, regional development banks, the International Agricultural Research Center), or other organizations, institutions or individuals with comparable goals, to promote and support the development of a viable and sustainable global agricultural system.

"(3) further develop within the Department highly qualified and experienced scientists and experts who specialize in international programs, to be available to carry out the activities described in this section;

"(4) work with transitional and more advanced countries in food, agricultural, and related research, development, and extension (including providing technical assistance, training, and advice to persons from the countries engaged in the activities and the stationing of scientists and other specialists at national and international institutions in the countries);

"(5) expand collaboration and coordination with the Agency for International Development regarding food and agricultural research, extension, and education programs in developing countries;

"(6) assist colleges and universities in strengthening their capabilities for food, agricultural, and related research and exten-

sion that is relevant to agricultural development activities in other countries through—

"(A) the provision of support to State universities, colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 419, chapter 41; 7 U.S.C. 321 et seq.) including Tuskegee University, and land-grant colleges to do collaborative research with other countries on issues relevant to United States agricultural competitiveness;

"(B) the provision of support for cooperative extension education in global agricultural and to promote the application of new technology developed in foreign countries to United States agriculture; and

"(C) the provision of support for the internationalization of resident instruction programs of the universities and colleges described in subparagraph (A); and

"(7) establish, in cooperation with the Secretary of State, a program, to be coordinated through the International Arid Land Consortium, to enhance collaboration and cooperation between institutions posessing research capabilities applied to the development, management, and reclamation of arid lands.

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Subtitle K—Funding and Miscellaneous Provisions

AUTHORIZATION FOR APPROPRIATIONS FOR EXISTING AND CERTAIN NEW AGRICULTURAL RESEARCH PROGRAMS

SEC. 1463. (a) Notwithstanding any authorization for appropriations for agricultural research in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the provisions of this title, except subtitle H and sections 1416, 1417, 1419, 1420, and the competitive grants program provided for in section 1414, and except that the authorization for moneys provided under the Act of March 2, 1887 (24 Stat. 440-442, as amended: 7 U.S.C. 361a-361i), is excluded and is provided for in subsection (b) of this section, [$600,000,000 for the fiscal year ending September 30, 1986, $610,000,000 for the fiscal year ending September 30, 1987, $620,000,000 for the fiscal year ending September 30, 1988, $630,000,000 for the fiscal year ending September 30, 1989, and $640,000,000 for the fiscal year ending September 30, 1990.] *$730,000,000 for the fiscal years 1991 through 1995.*

(b) Notwithstanding any authorization for appropriations for agricultural research at State agricultural experiment stations in any Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purpose of conducting agricultural research at State agricultural experiment stations pursuant to the Act of March 2, 1887 (24 Stat. 440-442, as amended; 7 U.S.C. 361a-361i), [$270,000,000 for the fiscal year ending September 30, 1986, $280,000,000 for the fiscal year ending September 30, 1987, $290,000,000 for the fiscal year ending September 30, 1988, $300,000,000 for the fiscal year ending September 30, 1989, and

[$310,000,000 for the fiscal year ending September 30, 1990.] *$310,000,000 for each of the fiscal years 1991 through 1995.*

(c) Notwithstanding any other provision of law effective beginning October 1, 1983, not less than 25 per centum of the total funds appropriated to the Secretary in any fiscal year for the conduct of the cooperative research program provided for under the Act of March 2, 1887, commonly known as the Hatch Act (7 U.S.C. 361a et seq.); the cooperative forestry research program provided for under the Act of October 10, 1962, commonly known as the McIntire-Stennis Act (16 U.S.C. 582a et seq.); the special and competitive grants programs provided for in sections 2(b) and 2(c) of the Act of August 4, 1965 (7 U.S.C. 450i); the animal health research program provided for under sections 1433 and 1434 of this title; the native latex research program provided for in the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178 et seq.); and the research provided for under various statutes for which funds are appropriated under the Agricultural Research heading or a successor heading, shall be appropriated for research at State agricultural experiment stations pursuant to the provision of the Act of March 2, 1887.

AUTHORIZATION FOR APPROPRIATIONS FOR EXTENSION EDUCATION

SEC. 1464. Notwithstanding any authorization for appropriations for the Cooperative Extension Service in and Act enacted prior to the date of enactment of this title, there are hereby authorized to be appropriated for the purposes of carrying out the extension programs of the Department of Agriculture [$370,000,000 for the fiscal year ending September 30, 1986, $380,000,000 for the fiscal year ending September 30, 1987, $390,000,000 for the fiscal year ending September 30, 1988, $400,000,000 for the fiscal year ending September 30, 1989, and $420,000,000 for the fiscal year ending September 30, 1990.] *$420,000,000 for each of the fiscal years 1991 through 1995.*

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COST-REIMBURSABLE AGREEMENTS

SEC. 1473A. Notwithstanding any other provision of law, the Secretary of Agriculture may enter into cost-reimbursable agreements with State cooperative institutions without regard to any requirement for competition, for the acquisition of goods or services, including personal services, to carry out agricultural research, extension, or teaching activities of mutual interest. Reimbursable costs under such agreements shall include the actual direct costs of performance, as mutually agreed on by the parties, and the indirect costs of performance, not exceeding 10 percent of the direct cost.

[TECHNOLOGY DEVELOPMENT FOR SMALL- AND MEDIUM-SIZED FARMING OPERATIONS

[SEC. 1473B. It is the sense of Congress that the agricultural research, extension, and teaching activities conducted by the Secretary of Agriculture relating to the development, application, transfer, or delivery of agricultural technology, and, to the greatest

extent practicable, any funding that is received by the Secretary of Agriculture for such activities, should be directed to technology that can be used effectively by small- and medium-sized farming operations.

[SPECIAL TECHNOLOGY DEVELOPMENT RESEARCH PROGRAM

[SEC. 1473C. (a) Notwithstanding chapter 63 of title 31, United States Code, the Secretary may enter into a cooperative agreement with a private agency, organization, or individual to share the cost of a research project, or to allow the use of a Federal facility or service on a cost-sharing or cost reimbursable basis, to develop new agricultural technology to further a research program of the Secretary.

[(b) For each of the fiscal years ending September 30, 1986, through September 30, 1990, not more than $3,000,000 of the funds apprpriated to the Agricultural Research Service for such fiscal year may be used to carry out this section.

[(c)(1) To be eligible to receive a contribution under this section, matching funds in an amount equal to at least 50 percent of such contribution shall be provided from non-Federal sources by the recipient or recipients of such contribution.

[(2) Funds received by the Secretary under this section shall be deposited in a separate account or accounts, to be available until expended. Such funds may be used to pay directly the costs of such research projects and to repay or make advances to appropriations or funds that do or will initially bear all or part of such costs.

[(3) The amount of funds or in kind assistance that may be made available under this section by the Secretary for a particular research project may not exceed—

[(A) an amount of $50,000 in any fiscal year; or

[(B) a total amount of $150,000.

[SUPPLEMENTAL AND ALTERNATIVE CROPS

[SEC. 1437D.* (a) Notwithstanding any other provision of law, during the period beginning October 1, 1986, and ending September 30, 1990, the Secretary shall develop and implement a research and pilot project program for the development of supplemental and alternative crops, using such funds as are appropriated to the Secretary each fiscal year under this title.

[(b) The development of supplemental and alternative crops is of critical importance to producers of agricultural commodities whose livelihood is threatened by the decline in demand experienced with respect to certain of their crops due to changes in consumption patterns or other related causes.

[(c)(1) The Secretary shall use such research funding, special or competitive grants, or other means, as the Secretary determines, to further the pruposes of this section in the implementation of a comprehensive and integrated program.

[(2) The program developed and implemented by the Secretary shall include—

[(A) an examination of the adaptation of supplemental and alternative crops;

* Effective October 1, 1991.

[(B) the establishment and extension of various methods of planting, cultivating, harvesting, and processing supplemental and alternative crops at pilot sites in areas adversely affected by declining demand for crops grown in the area;

[(C) the transfer of such applied research from pilot sites to on-farm practice as soon as practicable;

[(D) the establishment through grants, cooperative agreements, or other means of such processing, storage, and transportation facilities near such pilot sites for supplemental and alternative crops as the Secretary determines will facilitate the achievement of a successful pilot program; and

[(E) the application of such other resources and expertise as the Secretary considers appropriate to support the program.

[(3) The pilot program may include, but shall not be limited to, agreements, grants, and other arrangements—

[(A) to conduct comprehensive resource and infrastructure assessments;

[(B) to develop and introduce supplemental and alternative income-producing crops;

[(C) to develop and expand domestic and export markets for such crops; and

[(D) to provide technical assistance to farm owners and operators, marketing cooperatives, and others.

[(d) The Secretary shall use the expertise and resources of the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the land-grant colleges and universities for the purpose of carrying out this section.]

SEC. 1473E. RESEARCH INTO NEW COMMERCIAL PRODUCTS FROM NATURAL PLANT MATERIALS.

The Secretary may—

(1) conduct fundamental and applied research related to the develoment of new commercial products derived from natural plant materials for industrial, medical, and agricultural applications; and

(2) participate with colleges and universities, other Federal agencies, and private sector entities in conducting such research.

Subtitle L—Aquaculture

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AQUACULTURE ASSISTANCE PROGRAMS

SEC. 1475. (a) The Secretary may develop and implement a cooperative research and extension program to encourage the development, management, and production of important aquatic food species within the several States and territories of the United States, in accordance with the national aquaculture development plan, and revisions thereto, developed under the National Aquaculture Act of 1980.

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(f) The Secretary shall implement a fish disease program to include the development of new diagnostic procedures for fish diseases, the determination of the effect of water environment on the development of the fish immune system, and the development of therapeutic, synthetic, or natural systems, for the control of fish diseases.

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AUTHORIZATION FOR APPROPRIATIONS

SEC. 1477. There is authorized to be appropriated $7,500,000 for each fiscal year beginning after the effective date of this subtitle, and ending with the fiscal year ending September 30, [1990] *1995.*

Subtitle M—Rangeland Research

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RANGELAND RESEARCH ADVISORY BOARD

SEC. 1482. (a) The Secretary shall establish a board to be known as the Rangeland Research Advisory Board which shall have a term that expires September 30, [1990] *1995,* and which shall be composed of the following twelve members appointed by the Secretary:

(1) four representatives of agencies of the Department of Agriculture which have significant research, extension, or teaching responsibilities;

(2) four representatives of the State agricultural experiment stations; and

(3) four representatives of national rangeland and range livestock organizations.

The members shall serve without compensation, if not otherwise officers or employees of the United States, except that they shall, while away from their homes or regular places of business in the performance of services for the Board, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under sections 5701 through 5707 of title 5, United States Code.

(b) The Board shall meet at the call of the Secretary, but at least once annually, to consult with and advise the Secretary with respect to the implementation of this subtitle and to recommend priorities for the conduct of programs authorized under this subtitle, under such rules and procedures for conducting business as the Secretary shall prescribe.

APPRORPIATIONS

SEC. 1483. (a) There are authorized to be appropriated, to implement the provisions of this subtitle, such sums not to exceed $10,000,000 annually for the period beginning October 1, 1981, and ending September 30, [1990] *1995.*

(b) Funds appropriated under this section shall be allocated by the Secretary to eligible institutions for work to be done as mutual-

ly agreed upon between the Secretary and the eligible institution or institutions. The Secretary shall, whenever possible, consult with the Board in developing plans for the use of these funds.

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Subtitle N—National Agricultural Library

SEC. 1485. FINDING AND PURPOSE.

(a) FINDING.—Congress finds that the library of the Department of Agriculture established pursuant to section 520 of the Revised Statutes (7 U.S.C. 2201) has grown over the years to become a national library that serves as the leading agricultural information resource in the United States.

(b) PURPOSE.—The purpose of this subtitle is to consolidate and expand the statutory authority for the operation of the National Agricultural Library as the primary agricultural information resource of the United States.

SEC. 1486. ESTABLISHMENT.

There is established in the Department of Agriculture the National Agricultural Library to serve as the primary agricultural information resource of the United States.

SEC. 1487. DIRECTOR.

The National Agricultural Library shall be headed by a Director (hereinafter in this subtitle referred to as the "Director"), who shall be appointed by and subject to the direction of the Secretary.

SEC. 1488. FUNCTIONS.

The Director may—

(1) acquire, preserve, and manage information and information and allied sciences;

(2) organize agricultural information and information products and services by cataloging, indexing, bibliographical listing, and other appropriate techniques;

(3) provide agricultural information and information products and services to agencies of the Department of Agricultural and the Federal Government, public and private organizations, and individuals, within the United States and internationally;

(4) plan for, coordinate, and evaluate information and library needs related to agricultural research and education;

(5) cooperate with and coordinate efforts among agricultural college and university libraries, in conjunction with private industry and other agricultural library and information centers, toward the development of a comprehensive agricultural library and information network; and

(6) coordinate the development of specialized subject information services among the agricultural and library information communities.

SEC. 1489. LIBRARY PRODUCTS AND SERVICES.

(a) IN GENERAL.—The Director may—

(1) make copies of the bibliographies prepared by the National Agricultural Library;

(2) make microforms and other reproductions of books and other library materials in the Department; and

(3) provide any other library and information products and services.

(b) SALE.—The Director may sell products and services developed under subsection (a) at such prices (not less than the estimated total cost of disseminating the products and services) as the Secretary may determine appropriate.

(c) RECEIPTS.—The money received from sales under subsection (b) shall be deposited in the Treasury of the United States to the credit of the applicable appropriation and shall remain available until expended.

SEC. 1490. AGREEMENTS.

(a) IN GENERAL.—On or after the date of enactment of this subtitle, the Director may enter into agreement with, and receive funds from any State, and other political subdivision, organization, business, or individual for the purpose of conducting activities to carry out this subtitle.

(b) FUNDS.—Funds received under this section for payments for library products and services or other activities shall be deposited to the miscellaneous contributed fund account, and shall remain available until expended.

SEC. 1491. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this subtitle.

PUBLIC LAW 89-106

* * * * * * *

SEC. 2. AGRICULTURAL RESEARCH PROGRAM.

(a) ESTABLISHMENT.—In order to promote research in food, agriculture, and related areas, a research grants program is hereby established in the Department of Agriculture.

(b) COMPETITIVE GRANTS.—*(1)* The Secretary of Agriculture is authorized to make competitive grants, for periods not to exceed five years, to State agricultural experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals, for research to further the programs of the Department of Agriculture. To the greatest extent possible the Secretary shall allocate these grants to high priority research taking into consideration, when available, the determinations made by the Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board identifying high priority research areas. [For purposes of the preceding sentence, high priority research shall include—

[(1) basic research aimed at the discovery of new scientific principles and techniques that may be applicable in agriculture and forestry;

[(2) research, with emphasis on biotechnology aimed at the development of new and innovative products, methods, and technologies relating to biological nitrogen fixation, photosyn-

thesis, and other processes which will improve and increase the production of agricultural and forestry resources.

[(3) basic and applied research in the fields of animal productivity and health;

[(4) basic and applied research in the fields of soil and water;

[(5) basic and applied research in the field of human nutrition;

[(6) research to develop new strains of crops and new promising crops, including guayule, jojoba, and others;

[(7) research to reduce farm input costs through the collection of national and international data and the transfer of appropriate technology relating to sustainable agricultural systems, soil, energy, and water conservation technologies, rural and farm resource management, and the diversification of farm product processing and marketing systems; and

[(8) research to develop new and alternative industrial uses for agricultural crops.

[In seeking research proposals and in performing peer review evaluations of such proposals under this subsection, the Secretary shall seek the widest participation of qualified scientists in the Federal Government, all colleges and universities, State agricultural experiment stations, and the private sector. No grant may be made under this subsection for any purpose for which a grant may be made under subsection (d) of this section or for the planning, repair, rehabilitation, acquisition, or construction of a building or a facility. The research grants shall be made without regard to matching funds by the recipient or recipients of such grants. There are authorized to be appropriated, for the purpose of carrying out this subsection, $70,000,000 for each of the fiscal years ending September 30, 1986, through September 30, 1990. Four percent of the amount appropriated for each of such fiscal years to carry out this subsection may be retained by the Secretary to pay administrative costs incurred by the Secretary to carry out this subsection.]

(2) For purposes of this subsection, the term "high priority research" means basic and applied research that focuses on both national and regional research needs (and methods to transfer such research to onfarm or inmarket practice) in—

(A) plant systems, including plant genome structure and function; molecular and cellular genetics and plant biotechnology; plant-pest interactions and biocontrol systems; crop plant response to environmental stresses; unproved nutrient qualities of plant products; and new food and industrial uses of plant products;

(B) animal systems, including aquaculture, cellular and molecular basis of animal reproduction, growth, disease, and health; identification of genes responsible for improved production traits and resistance to disease; improved nutritional performance of animals; and improved nutrient qualities of animal products, and uses, and the development of new and improved animal husbandry and production systems that take into account production efficiency and animal well-being, and animal systems applicable to aquaculture;

(C) nutrition, food quality, and health, including microbial contaminants and pesticides residues related to human health; links between diet and health; bioavailability of nutrients; postharvest physiology and practices; and improved processing technologies;

(D) natural resources and the environment, including fundamental structures and functions of ecosystems; biological and physical bases of sustainable production systems; minimizing soil and water losses and sustaining surface water and ground water quality; global climate effects on agriculture; forestry; and biological diversity;

(E) engineering, products, and processes, including new uses and new products from traditional and non-traditional crops, animals, byproducts, and natural resources; robotics, energy efficiency, computing, and expert systems; new hazard and risk assessment and mitigation measures; and water quality and management; and

(F) markets, trade, and policy, including optional strategies for entering and being competitive in overseas markets; new decision tools for onfarm and inmarket systems; choices and applications of technology; technology assessment; and new approaches to economic development and viability in the rural United States and developing nations.

(3) In addition to making research grants under paragraph (1), the Secretary may conduct a program to improve research capabilities in the agricultural, food, and environmental sciences and award the following categories of competitive grants:

(A) Grants may be awarded to a single investigator or coinvestigators within the same discipline.

(B) Grants may be awarded to teams of researchers from different areas of agricultural research and scientific disciplines.

(C) Grants may be awarded to multidisciplinary teams that are proposing research on long-term applied research problems, with technology transfer a major component of all such grants proposals.

(D) Grants may be awarded to an institution to allow for the improvement of the research, development, technology transfer, and education capacity of the institution through the acquisition of special research equipment and the improvement of agricultural education and teaching. The Secretary shall use not less than 25 percent, and not more than 40 percent, of the funds made available for grants under this subparagraph to provide fellowships to outstanding pre- and post-doctoral students for research in the agricultural sciences.

(E) Grants may be awarded to single investigators or coinvestigators who are beginning their research careers and do not have an extensive research publication record. To be eligible for a grant under this subparagraph, an individual shall have less than 5 years of post-graduate research experience.

(F) Grants may be awarded to ensure that the faculty of small and mid-sized institutions who have not previously been successful in obtaining competitive grants under this subsection receive a portion of the grants.

(4) The term of a competitive grant made under this subsection shall not exceed 5 years.

(5)(A) In seeking proposals for grants under this subsection and in performing peer and advisory review evaluations of such proposals, the Secretary shall seek the widest participation of qualified scientists in the Federal Government, colleges and universities, State agricultural experiment stations, and the private sector.

(B) All proposals shall undergo review by a panel of experts who have demonstrated scientific expertise in the scientific category in which the proposal was submitted.

(C) The scientific peer review panels shall evaluate the scientific and technical merit of grant proposals and make budget recommendations for each proposal but shall make no final funding decisions.

(D) A second level of review shall be conducted by an advisory review panel.

(E) The primary function of the advisory review panel shall be to evaluate the overall competitive grants research program as reflected in the complement of proposals submitted, to assure that the program is balanced among the various areas of science, capitalizes on emerging scientific development and addresses the broad priorities in agricultural research, extension, and higher education described in section 1403A of the National Agricultural Research, Extension and Teaching Policy Act of 1977, and the priorities established by the Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board.

(F) The advisory review panel shall make final recommendations to the Secretary on funding.

(G) The Secretary shall seek the widest participation of individuals for the advisory review panel that shall include the Administrator of the Cooperative State Research Service and an equal number of personnel who have expertise in the agricultural sciences, and members of the general public who are leaders in fields of agricultural public policy, social sciences, and technology assessment.

(6)(A) All requests for proposals issued by the Department of Agriculture for competitive grants under this subsection shall contain an evaluation that addresses the potential benefits of the research in meeting the goals and priorities set forth in section 1403A of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, and the priorities established by the Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board.

(B) A technology assessment shall be included, where appropriate, for requests for proposals with research goals that have the potential to influence farm scale implementation, rural communities, farm ownership, and environmental management of farm practices. Assistance in the preparation of the assessment may be provided by qualified individuals in the land grant university system or by private consultants who have expertise in the social sciences and technology assessment.

(7) A grant made under paragraph (1) may not be used for the planning, repair, rehabilitation, acquisition, or construction of a building or facility. Such grant funds may be used to pay one half of the cost of purchase and installation of fixed equipment in an

existing research space and one half of the cost of minor alterations, renovations, or repairs to an existing research space when the equipment, alterations, renovations, or repairs are necessary and incidental to the conduct of a research project for which a grant is awarded. With the exception of such costs, these grants shall be made without regard to matching funds.

(8) The Secretary may not take the offer or availability of matching funds into consideration in making a grant under this subsection.

(9) In consultation with the National Agricultural Research and Extension Users Advisory Board and an advisory review board established under paragraph (5)(E), the Joint Council on Food and Agricultural Sciences shall review research programs, grant types, and funding allocation levels of the competitive grant program conducted under this subsection and recommend to the Secretary modifications in the program.

(10) There are authorized to be appropriated to carry out this subsection $150,000,000 for fiscal year 1991, $275,000,000 for fiscal year 1992, $350,000,000 for fiscal year 1993, and $400,000,000 for each of the fiscal years 1994 and 1995, of which each fiscal year—

(A) not less than 30 percent shall be available to make grants under subparagraph (C) of paragraph (3) for research to be conducted by multidisciplinary teams who are conducting mission-linked systems research;

(B) not less than 10 percent shall be available to make grants under subparagraphs (D) and (F) of paragraph (3) for awarding grants in research and education strengthening and research opportunity; and

(C) not more than 4 percent may be retained by the Secretary to pay administrative costs incurred by the Secretary in carrying out this subsection.

[(c) SPECIAL GRANTS.—The Secretary of Agriculture is authorized to make grants, for periods not to exceed five years in duration—

[(1) to land-grant colleges and universities, research foundations established by land-grant colleges and universities, State agricultural experiment stations, and to all colleges and universities having a demonstrable capacity in food and agricultural research, as determined by the Secretary, to carry out research to facilitate or expand promising breakthroughs in areas of the food and agricultural sciences of importance to the Nation; and

[(2) to State agricultural experiment stations, land-grant colleges and universities, research foundations established by land-grant colleges and universities, colleges and universities receiving funds under the Act of October 10, 1962 (16 U.S.C. 582a et seq.) and accredited schools or colleges of veterinary medicine, to facilitate or expand ongoing State-Federal food and agricultural research programs that (A) promote excellence in research, (B) promote the development of regional research centers, (C) promote the research partnership between the Department of Agriculture and such colleges and universities, such research foundations or State agricultural experi-

ment stations, or (D) facilitate coordination and cooperation of research among States.

No grant may be made under this subsection for any purpose for which a grant may be made under subsection (d) of this section or for the planning, repair, rehabilitation, acquisition, or construction of a building or facility. These grants shall be made without regard to matching funds. Four percent of the amount appropriated for any fiscal year to carry out this subsection may be retained by the Secretary to pay administrative costs incurred by the Secretary to carry out this subsection.]

(c)(1) The Secretary of Agriculture is authorized to make grants, for periods not to exceed 5 years in duration—

(A) to land-grant colleges and universities, research foundations established by land-grant colleges and universities, State agricultural experiment stations, and to all colleges and universities having a demonstrable capacity in food and agricultural research, as determined by the Secretary to carry out research to facilitate or expand promising breakthroughs in areas of the food and agricultural sciences of importance to the United States; and

(B) to State agricultural experiment stations, land-grant colleges and universities, research foundations established by land-grant colleges and universities, colleges and universities receiving funds under the Act of October 10, 1962 (16 U.S.C. 582a et seq.) and accredited school of colleges of veterinary medicine, to facilitate or expand ongoing State-Federal food and agricultural research programs that;

(i) promote excellence in research on a regional and national level;

(ii) promote the development of regional research centers;

(iii) promote the research partnership between the Department of Agriculture, colleges and universities, research foundations, and State agricultural experiment stations for regional research efforts; and

(iv) facilitate coordination and cooperation of research among State through regional research grants.

(2) No grant may be made under this subsection for any purpose for which a grant may be made under subsection (d) or for the planning, repair, rehabilitation, acquisition, or construction of a building or facility.

(3) Grants made under this subsection shall be made without regard to matching funds.

(4) Four percent of the amount appropriated for any fiscal year to carry out this subsection may be retained by the Secretary to pay administrative costs incurred by the Secretary to carry out this subsection.

(5) Ninety percent of the amount appropriated for any fiscal year to carry out this subsection shall be made to regional research projects.

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SEC. 27. * * *

SEC. 28. PROTECTION OF PETS.

(a) GENERAL RULE.—It shall be unlawful for any class B licensee, as defined by the Secretary of Agriculture in regulations (hereinafter referred to in this section as the "dealer"), to obtain live random source dogs and cats from a source other than—

(1) a State, county, or city owned and operated pound or shelter;

(2) a private entity established for the purpose of caring for animals such as a humane society, or any other organization that is under contract with a State, county, or city that operates as a pound or shelter and that releases animals on a voluntary basis;

(3) research facilities licensed by the Department of Agriculture;

(4) individuals who have bred and raised such dogs and cats on their own premises; or

(5) another class B licensee.

Nothing in this section shall be construed to either require or to prohibit the mandatory release of animals from pounds or shelters.

(b) HOLDING PERIODS.—The pounds shelters, or organizations referred to in sections 28(a) (1), (2), and (3) shall hold and care for dogs or cats for a period of at least five days, such period to include a Saturday, before selling such dogs or cats to dealers, to enable such dogs and cats to be recovered by their original owners or to be adopted by other individuals.

(c) CERTIFICATION.—

"(1) IN GENERAL.—Dealers shall not sell, provide, or make available to any individual or entity a random source dog or cat unless such dealers provides the recipient with a valid certification that meets the requirements of paragraph (2) and subsection (b).

(2) REQUIREMENTS.—A valid certification must contain—

(A) the name, address, and Department of Agriculture license or registration number (if such number exists) of the dealer;

(B) the name, address, Department of Agriculture license or registration number (if such number exists), and the signature of the recipient of the dog or cat;

(C) a description of the dog or cat being provided that shall include—

(i) the species and breed or type of such;

(ii) the sex of such;

(iii) the date of birth (if known) of such;

(iv) the color and any distinctive marking of such; and

(v) any other information that the Secretary by regulation shall determine appropriate;

(D) the name and address of the persons, pound, or shelter from which the dog or cat was purchased or otherwise acquired by the dealer, and an assurance that such person,

pound, or shelter was notified that such dog or cat may be used for research or educational purposes;

(E) the date of the purchase or acquisition referred to in subparagraph (D);

(F) a statement by the pound or shelter (if the dealer acquired the dog or cat from such) that is satisfied the requirements of subsection (b): and

(G) any other information that the Secretary by regulation shall determine appropriate.

(3) RECORDS.—The original certification required under paragraph (1) shall accompany the shipment of a dog or cat to be sold, provided, or otherwise made available by the dealer, and shall be kept and maintained by the research facility for a period of at least one year for enforcement purposes. The dealer shall retain one copy of the certification provided under this paragraph for a period of at least one year for enforcement purposes.

(4) TRANSFERS.—In instances where one research facility transfers animals to another research facility a copy of the certificate must accompany such transfer.

(d) ENFORCEMENT.—

(1) IN GENERAL. —Dealers who fail to act according to the requirements of this section or who include false information in the certification required under subsection (c), shall be subject to the penalties provided for under section 19.

(2) SUBSEQUENT VIOLATIONS.—Any dealer who violates this section more than one time shall be subject to a fine of $5,000 per dog or cat acquired or sold in violation of this section.

(3) PERMANENT REVOCATIONS.—Any dealer who violates this section three or more times shall have such dealer license permanently revoked.

(e) REGULATION.—Not later than 180 days after the date of enactment of this section, the Secretary shall promulgate regulations to carry out this section.

ACT OF MAY 29, 1884

* * * * * * * *

SEC. 12. ESTABLISHMENT OF RESEARCH LABORATORIES FOR FOOT-AND-MOUTH DISEASE AND OTHER ANIMAL DISEASES; RESEARCH CONTRACTS; EMPLOYMENT OF TECHNICIANS AND SCIENTISTS; APPROPRIATIONS.

The Secretary of Agriculture is authorized to establish research laboratories, including the acquisition of necessary land, buildings, or facilities, and also the making of research contracts under the authority contained in section 427i(a) of Title 7, for research and study, in the United States or elsewhere, of foot-and-mouth disease and other animal diseases which in the opinion of the Secretary constitute a threat to the livestock industry of the United States: *Provided,* That no live virus of foot-and-mouth disease may be introduced for any purpose into any part of the mainland of the United States except coastal islands separated therefrom by waters navigable for deep-water navigation and which shall not be connected with the mainland by any tunnel, and except that the Sec-

retary of Agriculture may transport said virus in the original package across the mainland under adequate safeguards, *and except that the Secretary may transport said virus to Brookhaven National Laboratory in Upton, New York, under adequate safeguards for the conduct of analytical research on said virus,* and except further, that in the event of outbreak of foot-and-mouth disease in this country, the Secretary of Agriculture may, at his discretion, permit said virus to be brought into the United States under adequate safeguards. To carry out the provisions of this section, the Secretary is authorized to emply technical experts or scientists without regard to chapter 51 and subchapter III of chapter 53 of Title 5: *Provided,* That the number so employed shall not exceed five and that the maximum compensation for each shall not exceed the highest rate of grade 18 of the General Schedule. There is hereby authorized to be appropriated such sums as Congress may deem necessary; in addition, the Secretary is authorized to utilize, in carrying out this section, funds otherwise available for the control or eradication of such diseases.

THE CRITICAL AGRICULTURAL MATERIALS ACT

SEC. 16. ADMINISTRATION AND FUNDING.

[(a) AUTHORIZATION OF APPROPRIATIONS TO SECRETARY OF AGRICULTURE.—There is authorized to be appropriated to the Secretary of Agriculture $2,500,000 for each of the fiscal years ending September 30, 1980, and September 30, 1981, $5,000,000 for each of the fiscal years ending September 30, 1982, and September 30, 1983, $5,000,000 for the fiscal year ending September 30, 1984, $5,500,000 for the fiscal year ending September 30, 1985, $6,500,000 for the fiscal year ending September 30, 1986, $7,500,000 for the fiscal year ending September 30, 1987, and $8,000,000 for the fiscal year ending September 30, 1988, to carry out the purposes of thus subchapter. Funds appropriated under this paragraph shall be available for obligation until the last day of the fiscal year after the year for which such funds are authorized.]

(a) There are authorized to be appropriated to the Secretary of Agriculture such sums as are necessary to carry out this Act in each of the fiscal years 1991 through 1995.

[(b) AUTHORIZATION OF APPROPRIATIONS TO SECRETARY OF COMMERCE.—There is authorized to be appropriated to the Secretary of Commerce $2,500,000 for each of the fiscal years ending September 30, 1980, and September 30, 1981, $5,000,000 for each of the fiscal years ending September 30, 1982, and September 30, 1983, $2,500,000 for the fiscal year ending September 30, 1984, $3,000,000 for the fiscal year ending September 30, 1985, $3,500,000 for the fiscal year ending September 30, 1986, $4,000,000 for the fiscal year ending September 30, 1987, and $4,500,000 for the fiscal year ending September 30, 1988, to carry out the purposes of this subchapter. Funds appropriated under this paragraph shall be available for obligation until the last day of the fiscal year after the year for which such funds are authorized.]

[(c)] *(b)* ADMINISTRATION AND MANAGEMENT.—No more than 3 per centum of funds authorized under subsections (a) and (b) of this

section shall be available for administration and management of the program.

[(d)] *(c)* CONTRACT AUTHORITY AS LIMITED BY AMOUNTS PROVIDED IN APPROPRIATIONS ACTS.—Notwithstanding any other provision of this subchapter the authority to enter into contracts shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriations Acts.

[(e)] *(d)* ACTIVITIES LIMITED TO CRITICAL MATERIALS OTHER THAN NATIVE LATEX AFTER FISCAL 1988.—Notwithstanding any other provision of this subchapter, the Secretaries and the Joint Commission shall limit their activities under this subchapter to critical agricultural materials other than native latex after the close of the fiscal year ending September 30, 1988.

SECOND MORRILL ACT

Act of August 30, 1890, ch. 841, 26 Stat. 417, 7 U.S.C. 322 et seq.

Chap. 841—AN ACT To apply a portion of the proceeds of the public lands to the more complete endowment and support of the colleges for the benefit of agriculture and the mechanic arts established under the provisions of the an act of Congress approved July second, eighteen hundred and sixty-two.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be and hereby is, annually appropriated, out of any money in the Treasury not otherwise appropriated, arising from the sales of public lands; to be paid as hereinafter provided to each State and Territory for the more complete endowment and maintenance of colleges for the benefit of agriculture and the mechanic arts now established, or which may be hereafter established, in accordance with an act of Congress approved July second, eighteen hundred and sixty-two, the sum of fifteen thousand dollars for the year ending June thirtieth, eighteen hundred and ninety, and an annual increase of the amount of such appropriation thereafter for ten years by an additional sum of one thousand dollars over the preceding year, and the annual amount to be paid thereafter to each State and Territory shall be fifty thousand dollars to be applied only to instruction in food and agricultural sciences and to the facilities for such instruction: *Provided*, said colleges may use a portion of this money for providing courses for the special preparation of instructors for teaching the elements of agriculture and the mechanic arts: *Provided*, That no money shall be paid out under this act to any State or Territory for the support and maintenance of a college where a distinction of race or color is made in the admission of students, but the establishment and maintenance of such colleges separately for white and colored students shall be held to be a compliance with the provisions of this act if the funds received in such State or Territory be equitably divided as hereinafter set forth: *Provided*, That in any State in which there has been one college established in pursuance of the act of July second, eighteen hundred and sixty-two, and also in which an educational institution of like character has been established, or may be hereafter established, and is now aided by such State from its own revenue, for the education of colored students in agriculture and the mechanic

arts, however named or styled, or whether or not it has received money heretofore under the act to which this act is an amendment, the legislature of such State may propose and report to the Secretary of Education a just and equitable division of the fund to be received under this act between one college for white students and one institution for colored students established as aforesaid which shall be divided into two parts and paid accordingly, and thereupon such institution for colored students shall be entitled to the benefits of this act and subject to its provisions, as much as it would have been if it had been included under the act of eighteen hundred and sixty/two, and the fulfillment of the foregoing provisions shall be taken as a compliance with the provision in reference to separate colleges for white and colored students. *As used in this section the term "State" shall include tribally controlled community colleges as defined in section 2(4) of the Tribally Controlled Community College Assistance Act of 1976 (25 U.S.C. 1801(4)).*

* * * * * * *

HATCH ACT

Act of March 2, 1887; ch. 314, 24 Stat. 440, 7 U.S.C. 361a et seq.

Chap. 314.—AN ACT To establish agricultural experiment stations in connection with the colleges established in the several States under the provisions of an act approved July second, eighteen hundred and sixty-two, and of the acts supplementary thereto

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(d) Of any amount in excess of $90,000 available under this Act for allotment to any State, exclusive of the regional research fund, State agricultural experiment stations, no allotment and no payments thereof shall be made in excess of the amount which the State makes available out of its own funds for research and for the establishment and maintenance of facilities necessary for the prosecution of such research: *And provided further,* That if any State fails to make available for such research purposes for any fiscal year a sum equal to the amount in excess of $90,000 to which it may be entitled for such year, the remainder of such amount shall be withheld by the Secretary of Agriculture *and reapportioned among the States.*

* * * * * * *

THE ACT OF MARCH 4, 1915

STATES RELATIONS SERVICE

SALARIES, STATES RELATIONS SERVICE: One director, $4,500; one chief clerk, $2,000; one financial clerk, $2,000; one clerk or proof reader, $1,800; one clerk or editorial clerk, $1,400; three clerks, class four; two clerks, class three; one clerk, $1,500; six clerks, class two; seventeen clerks, class one; sixteen clerks, at $1,000 each; eighteen clerks, at $900 each; seven clerks, at $840 each; six clerks, at $720 each; one clerk or photographer, $720; two messengers,

messenger boys, or laborers, at $600 each; nine messengers, messenger boys, or laborers, at $480 each; two messengers, messenger boys, or laborers, at $300 each; one skilled laborer, $900; three laborers or charwomen, at $480 each; four laborers or charwomen, at $240 each; in all, $103,140.

GENERAL EXPENSES, STATES RELATIONS SERVICE: To carry into effect the provisions of an Act approved March second, eighteen hundred and eighty-seven, entitled "An Act to establish agricultural experiment stations in connection with the colleges established in the several States under the provisions of an Act approved July second, eighteen hundred and sixty-two, and of the Acts supplementary thereto," the sums apportioned to the several States and Territories, to be paid quarterly in advance, $720,000;

To carry into effect the provisions of an Act approved March sixteenth, nineteen hundred and six, entitled "An Act to provide for an increased annual appropriation for agricultural experiment stations and regulating the expenditure thereof," the sums approtioned to the several States and Territories, to be paid quarterly in advance, $720,000: *Provided*, That not to exceed $15,000 shall be paid to each State and Territory under this Act;

To enable the Secretary of Agriculture to enforce the provisions of the above Acts and the Act approved May eighth, nineteen hundred and fourteen, entitled "An Act to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an Act of Congress approved July second, eighteen hundred and sixty-two, and of Acts supplementary thereto, and the United States Department of Agriculture," relative to their administration, including the employment of clerks, assistants, and other persons in the city of Washington and elsewhere, freight and express charges, official traveling expenses, office fixtures, supplies apparatus, telegraph and telephone service, gas, electric current, and rent outside of the District of Columbia, $59,500; and the Secretary of Agriculture shall prescribe the form of the annual financial statement required under the above Acts, ascertain whether the expenditures are in accordance with their provisions, coordinate the work of the Department of Agriculture with that of the State agricultural colleges and experiment stations in the lines authorized in said acts, and make report thereon to Congress: *Provided,* That of this amount $21,100 may be used for general administrative expenses connected with the lines of work of the States Relations Service, including the offices of the director, the chief clerk, the officers in charge of publications, library, accounts, records, supplies, and property, and for miscellaneous expenses incident thereto;

For farmers' cooperative demonstration work outside of the cotton belt, including the employment of labor in the city of Washington and elsewhere, supplies, and all other necessary expenses, $386,080;

For farmers' cooperative demonstrations and for the study and demonstration of the best methods of meeting the ravages of the cotton-boll weevel, including the employment of labor in the city of Washington and elsewhere, supplies, and all other necessary expenses, $666,020; *Provided,* That the expense of such service shall be defrayed from this appropriation and such cooperative funds as

may be voluntarily contributed by State, county, and municipal agencies, associations of farmers, and individual farmers, universities, colleges, boards of trade, chambers of commerce, other local associations of business men, business organizations, and individuals within the State;

To enable the Secretary of Agriculture to investigate and report upon the organization and progress of farmers' institutes and agricultural schools in the several States and Territories, and upon similar organizations in foreign countries, with special suggestions of plans and methods for making such organizations more effective for the dissemination of the results of the work of the Department of Agriculture and the agricultural experiment stations, and of improved methods of agricultural practice, including the employment of labor in the city of Washington and elsewhere, and all other necessary expenses, $20,600;

To enable the Secretary of Agriculture to establish and maintain agricultural experiment stations in Alaska, Hawaii, Puerto Rico, and the island of Guam, including the erection of buildings, the preparation, illustration, and distribution of reports and bulletins, and all other necessary expenses, $120,000, as follows: Alaska, $40,000; Hawaii, $35,000; Puerto Rico, $30,000; and Guam, $15,000; and the Secretary of Agriculture is authorized to sell such products as are obtained on the land belonging to the agricultural experiment stations in Alaska, Hawaii, Puerto Rico, and the Island of Guam: *Provided,* That of the sum herein appropriated for the experiment station in Hawaii $5,000 may be used in agricultural extension work in Hawaii;

To enable the Secretary of Agriculture to investigate the relative utility and economy of agricultural products for food, clothing, and other uses in the home, with special suggestions of plans and methods for the more effective utilization of such products for these purposes, with the cooperation of other bureaus of the department, and to disseminate useful information on this subject, including the employment of labor in the city of Washington and elsewhere, supplies, and all other necessary expenses, $26,500;

In all, for general expenses, $2,718,700.

[And the Secretary of Agriculture hereafter may furnish to such institutions or individuals as may care to buy them copies of the card index of agricultural literature prepared by the Department of Agriculture in connection with its administration of the Act of March second, eigthteen hundred and eighty-seven (Twenty-fourth Statutes at Large, page four hundred and forty), and the Act of March sixteenth, nineteen hundred and six (Thirty-fourth Statutes at Large, page sixty-three), and the Acts amendatory of and supplementary thereto, and charge for the same a price covering the additional expenses involved in the preparation of these copies, the money received from such sales to be deposited in the Treasury of the United States as miscellaneous receipts.]

That hereafter there be prepared by the Department of Agriculture an annual report on the work and expenditures of the agricultural experiment stations established under the Act of Congress of March second, eighteen hundred and eighty-seven (Twenty-fourth Statutes at Large, page four hundred and forth), on the work and expenditures of the Department of Agriculture in connection there-

with, and on the cooperative agricultural extension work and expenditures of the Department of Agriculture and of agricultural colleges under the Act of May eighth, nineteen hundred and fourteen, entitled "An Act to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an Act of Congress approved July second, eighteen hundred and sixty-two, and of Acts supplementary thereto, and the United States Department of Agriculture;" and that there be printed annually eight thousand copies of said report, of which one thousand copies shall be for the use of the Senate, two thousand copies for the use of the House of Representatives, and five thousand copies for the use of the Department of Agriculture.

Total for States Relations Service, $2,821,840.

* * * * * * *

THE ACT OF MAY 23, 1908

Chap. 192.—AN ACT Making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and nine.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be, and they are hereby, appropriated, out of any money in the Treasury of the United States not otherwise appropriated in full compensation for the fiscal year ending June thirtieth, nineteen hundred and nine, for the purposes and objects hereinafter expressed, namely:

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY: * * *

* * * * * * *

LIBRARY

SALARIES, LIBRARY, DEPARTMENT OF AGRICULTURE: One Librarian, two thousand dollars; one assistant librarian, one thousand four hundred dollars; one clerk (who shall be a translator), one thousand two hundred dollars; two cataloguers, at one thousand two hundred dollars each; three cataloguers, at one thousand dollars each; one clerk, one thousand dollars; four clerks, at nine hundred dollars each; one clerk, eight hundred and forty dollars; two clerks, at seven hundred and twenty dollars each; one messenger, seven hundred and twenty dollars; one messenger or laborer, four hundred and eighty dollars; in all, eighteen thousand and eighty dollars.

LIBRARY, DEPARTMENT OF AGRICULTURE: General expenses, library: Purchase of technical books of reference, technical papers, and technical periodicals necessary for the work of the Department, and for expenses incurred in completing imperfect series, and for the employment of additional assistance in the city of Washington and elsewhere; for official traveling expenses, and for library fixtures, library cards, and other material, fifteen thousand five hundred dollars: *Provided,* That section thirty-six hundred and

forty-eight of the Revised Statutes shall not apply to the subscriptions for publications for the Department of Agriculture, and the Secretary of Agriculture is authorized to pay in advance for any publications for the use of this Department. [And hereafter the Secretary of Agriculture may furnish to such institutions or individuals as may care to buy them, copies of the card index of the publications of the Department and of other agricultural literature prepared by the library, and charge for the same a price covering the additional expense involved in the preparation of these copies.]

* * * * * * *

OFFICE OF EXPERIMENT STATIONS

SALARIES, OFFICE OF EXPERIMENT STATIONS: One Director, three thousand five hundred dollars; one chief clerk, one thousand eight hundred dollars; one clerk and proof reader, one thousand six hundred dollars; five clerks, class two; four clerks, class one; five clerks, at one thousand dollars each; two clerks, at nine hundred dollars each; four clerks, at eight hundred and forty dollars each; one clerk or messenger, eight hundred and forty dollars; one messenger or caretaker, seven hundred and twenty dollars; one messenger, six hundred dollars; one messenger or laborer, four hundred and eighty dollars; two messengers, at four hundred and eighty dollars each; one copyist or laborer, seven hundred and twenty dollars; three laborers or charwomen, at four hundred and eighty dollars each; in all, thirty-four thousand six hundred and twenty dollars.

AGRICULTURAL EXPERIMENT STATIONS: To carry into effect the provisions of an Act approved March second, eighteen hundred and eighty-seven, entitled "An Act to establish agricultural experiment stations in connection with the colleges established in the several States under the provisions of an Act approved July second, eighteen hundred and sixty-two, and of the Acts supplementary thereto," and to enforce the execution thereof, eight hundred and thirty-three thousand dollars, thirty thousand dollars of which sum shall be payable upon the order of the Secretary of Agriculture, to enable him to carry out the provisions of section three of said Act of March second, eighteen hundred and eighty-seven, and the Secretary of Agriculture shall prescribe the form of the annual financial statement required by section three of said Act of March second, eighteen hundred and eighty-seven; shall ascertain whether the expenditures under the appropriation hereby made are in accordance with the provisions of said Act, and shall make report thereon to Congress, and to carry out the provisions of sections two, four, and five of an Act approved March sixteenth, nineteen hundred and six, entitled "An Act to provide for an increased annual appropriation for agricultural experiment stations and regulating the expenditure thereof," and the Secretary of Agriculture is hereby authorized to rent offices and to employ such assistants, clerks, and other persons as he may deem necessary, in the city of Washington and elsewhere, and to incur such other expenses for office fixtures and supplies, stationery, official traveling expenses, freight and express charges, illustration of the Experiment Station

Record, bulletins, and reports, as he may find essential in carrying out the objects of the above Acts; and the sums apportioned to the several States shall be paid quarterly in advance. And [the Secretary of Agriculture hereafter may furnish to such institutions or individuals as may care to buy them copies of the card index of agricultural literature prepared by the Office of Experiment Stations, and charge for the same a price covering the additional expense involved in the preparation of these copies, the money received from such sales to be deposited in the Treasury of the United States as miscellaneous receipts; and] the Secretary of Agriculture is hereby authorized to expend eighty-three thousand dollars of said sum to establish and maintain agricultural experiment stations in Alaska, Hawaii, Puerto Rico, and the Island of Guam, including the erection of buildings, the printing (in Hawaii and Puerto Rico), illustration, and distribution of reports and bulletins: *Provided,* That not more than five thousand dollars shall be expended at Guam, and not more than twenty-six thousand dollars shall be expended for the maintenance of stations in either Alaska, Hawaii, or Puerto Rico; and the Secretary of Agriculture is authorized to sell such products as are obtained on the land belonging to the agricultural experiment stations in Alaska, Hawaii, Puerto Rico, and the Island of Guam, and to apply the money received from the sale of such products to the maintenance of said stations, and this fund shall be available until used; in all, eight hundred and thirty-three thousand dollars.

To enable the Secretary of Agriculture to investigate and report upon the organization and progress of farmers' institutes and agricultural schools in the several States and Territories, and upon similar organizations in foreign countries, with special suggestions of plans and methods for making such organizations more effective for the dissemination of the results of the work of the Department of Agriculture and the agricultural experiment stations, and of improved methods of agricultural practice, ten thousand dollars.

* * * * * * *

Chap. 144.—AN ACT Making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and sixteen

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be, and they are hereby, appropriated, out of any money in the Treasury of the United States not otherwise appropriated, in full compensation for the fiscal year ending June thirtieth, nineteen hundred and sixteen, for the purposes and objects hereinafter expressed, namely:

DEPARTMENT OF AGRICULTURE

SALARIES, OFFICE OF THE SECRETARY OF AGRICULTURE: Secretary * * *.

* * * * * * *

RURAL DEVELOPMENT ACT OF 1972

Act of August 30, 1972, Public Law 92-419, 86 Stat. 670, 7 U.S.C. 2651 et seq.

AN ACT To provide for improving the economy and living conditions in rural America

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Rural Development Act of 1972".

* * * * * * *

RURAL DEVELOPMENT ACT OF 1972

SEC. 502. PROGRAMS AUTHORIZED.—The Secretary of Agriculture may conduct, in cooperation and coordination with colleges and universities, the following programs to carry out the purposes and achieve the goals of this subchapter.

* * * * * * *

(f) SPECIAL GRANTS FOR FINANCIALLY STRESSED FARMERS, DISLOCATED FARMERS, AND RURAL FAMILIES.

(1) GRANT PROGRAM.—

(A) PROGRAM BENEFICIARIES.—The Secretary shall provide special grants for programs to develop educational, retaining, and counseling assistance for farmers, dislocated farmers, and rural families, who have been adversely affected by the current farm and rural economic crisis.

(B) SERVICES TO BE PROVIDED.—Such programs [shall] *may* provide the following services:

(i) Clinical outreach counseling and crisis management assistance through appropriate State officials.

(ii) Assistance in evaluating individual or family finances, preparing financial plans, and implementing financial plans and management strategies.

(iii) Evaluation of vocational skills and counseling in enhancing such skills.

(iv) Assistance in obaining training in basic, remedial, and literacy skills.

(v) Assistance in job search and training in job-seeking skills.

(vi) Assistance in obtaining training for operating a business or enterprise.

(vii) Formal on-the-job training to the extent practicable.

(viii) Tuition assistance (including fees, books, and other educational expenses) to the extent practicable.

(ix) Assistance for local officials and groups in developing income and employment alternatives.

(C) AUTHORITY OF GRANT RECIPIENTS TO CONTRACT FOR DELIVERY OF SERVICES.—The recipients of a grant under this subsection may contract for the delivery of such services with units of local government, State agencies, accredited

educational institutions, and other appropriate public and private nonprofit agencies and organizations, *except that not less than one third of a grant provided to a State under this subsection may be used to provide the type of services described in subparagraph (B)(i).*

(D) DEVELOPMENT OF COMPREHENSIVE PLAN.—The Agricultural Extension Service of the Department of Agriculture [is encouraged to work with] *shall work with the State office of rural health, the State department or agency of mental health, and other* State agencies, units of local government and other public and private nonprofit agencies and organizations in developing a comprehensive plan for the use of the special grant funds and the delivery of services provided for in this subsection. *For recipients in a State to be eligible for the special grant funds for a year, the State department or agency of mental health must sign the annual comprehensive plan.*

(2) GRANT PERIOD.—Grant may be made *to any State applying for participation* under paragraph (1) during the period beginning on December 29, 1987, and ending on December 23, [1990] *1995.*

(g) RURAL HEALTH AND SAFETY EDUCATION PROGRAMS.—

(1) PROGRAMS AUTHORIZED.—

"(A) INDIVIDUAL AND FAMILY HEALTH EDUCATION.—The Secretary may make grants for the establishment of individual and family health education programs that shall provide individuals and families with—

(i) information concerning the value of good health;

(ii) information to increase the individual or families motivation to take more responsibiliyt for their own health;

(iii) access to health promotion activities; and

(iv) training for volunteers and health services providers concerning health promotion and health care services.

(B) FARM SAFETY EDUCATION.—The Secretary may make grants for the establishment of farm safety education programs that shall provide information and training to farm workers, timber harvesters, and farm families concerning safety in the work place, including information and training concerning—

(i) the reduction of occupational injury and death rates;

(ii) the reduction and prevention of exposure to farm chemicals;

(iii) the reduction of agricultrual respiratory diseases and dermititis;

(iv) the reduction and prevention of noise induced hearing loss;

(v) the occupational rehabilitation of farmers and timber harvesters with physical disabilities; and

(vi) emergency medical technicians and nonprofessionals on farm accident rescue procedures.

(2) COORDINATION OF PROGRAMS.—Educational programs conducted with grants awarded under this subsection shall be coordinated with the State offices or rural health

(3) DISSEMINATION OF INFORMATION.—Educational programs conducted with grants awarded under this subsection shall provide leadership within the State for the dissemination of appropriate rural health and safety information resources processed by the Rural Information Center established at the National Agricultural Library.

(4) PROCEDURES AND LIMITATIONS.—The Secretary shall establish policies, procedures and limitations that shall apply to States that desire to receive a grant under this subsection. In States with land-grant colleges and univesities that are eligible to receive funds under the Act of July 2, 1862 (7 U.S.C. 301 et seq.), and the Act of August 30, 1890 (U.S.C. 321 et seq.), including Tuskegee University, such eligible institutions shall mutually determine the type of rural health and safety education program needed in the state within which such institutions reside.

(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to make grants under this subsection, $5,000,000 for fiscal year 1991, $10,000,000 for fiscal year 1992, $15,000,000 for fiscal year 1993, and $20,000,000 for fiscal year 1994 and each subsequent fiscal year. Amount appropriated under this subsection shall remain available until expended.

* * * * * * *

(f) SPECIAL GRANTS FOR FINANCIALLY STRESSED FARMERS AND DISLOCATED FARMERS.—(1)(A) The Secretary shall, provide special grants for programs to develop income alternatives for farmers who have been adversely affected by the current farm and rural economic crises and those displaced from farming.

(B) Such programs [shall] *may* consist of educational and counseling services to farmers to—

(i) assess human and nonhuman resources;

(ii) assess income earning alternatives;

(iii) identify resources and opportunities available to the farmer in the local community, county, and State;

(iv) implement financial planning and management strategies; and

(v) provide linkages to specific resources and opportunities that are available to the farmer, such as reentering agriculture, new business opportunities, other off-farm jobs, job search programs, and retraining skills.

(C) The Secretary also may provide support to mental health officials in developing outreach programs in rural areas.

(2) Grants may be made under paragraph (1) during the period beginning on the date of enactment of the Food Security Act of 1985 and ending 3 years after such date.

SEC. 503. Appropriation and Allocation of Funds.—(a) There are authorized to be appropriated such sums as are necessary to carry out the purposes of this title.

* * * * * * *

(c) Such sums as are appropriated to carry out the provisions of section 502(e) [and section 502(f)] *section 502(f), and section 502(g)* of this title shall be distributed by the Secretary to colleges and universities, on a competitive or matching fund basis, according to the Secretary's determination of the projects and manner of funding that show the most promise of fulfilling the objectives of section 502(e) of section 502(f) of this title.

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ACT OF SEPTEMBER 21, 1944

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TITLE VI

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[SEC. 708. The Secretary of Agriculture is authorized to make copies of bibliographies prepared by the Department library, microfilm and other photographic reproductions of books and- other library materials in the Department and sell such bibliographies and reproductions at such prices (not less than estimated total cost of furnishing same) as he may determine; the money received from such sales to be deposited in the Treasury to the credit of the applicable appropriation current at the time the materials are furnished or payment therefor is received.]

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ACT OF JULY 22, 1963

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SEC. 4. ADMINISTRATION

(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, for grants to eligible institutions under this subchapter to be used for the purpose set out in section 390a of the title, [$20,000,000 for each of the fiscal year ending September 30, 1986, through September 30, 1990] *$50,000,000 for each of the Fiscal Years 1990 through 1995.*

(b) LIMITATION ON AMOUNT OF GRANT: FUNDING FROM NON-FEDERAL SOURCES.—No grant may be made under section 390a of this title for an amount exceeding a percentage determined by the Secretary of the cost of the project for which such grant is made. The remaining cost of such project shall be paid with funds from non-Federal sources.

* * * * * * *

COOPERATIVE FORESTRY ASSISTANCE ACT OF 1978

SEC. 1. This Act may be cited as the "Cooperative Forestry Assistance Act of 1978."

[POLICY AND PURPOSE

SEC. 2. (a) Congress finds and declares that—

[(1) most of the Nation's productive forest land is in private, State, and local governmental ownership, and the Nation's capacity to produce renewable forest resources is significantly dependent on these non-Federal forest lands;

[(2) adequate supplies of timber and other forest resources are essential to the Nation, and adequate supplies are dependent upon efficient methods for establishing, managing, and harvesting trees and processing, marketing, and using wood and wood products;

[(3) managed forest lands provide habitats for fish and wildlife, as well as esthetics, outdoor recreation opportunities, and other forest resources;

[(4) insects and diseases affecting trees occur and sometimes create emergency conditions on all land, whether Federal or non-Federal, and efforts to prevent and control such insects and diseases often require coordinated action by both Federal and non-Federal land managers;

[(5) fires in rural areas threaten human lives, property, and forests and other resources, and Federal-State cooperation in forest fire protection has proven effective and valuable;

[(6) trees and forests are of great environmental and economic value to urban areas; and

[(7) managed forests contribute to improving the quality, quantity, and timing of water yields, which are of broad benefit to society.

[(b) The purpose of this Act is to authorize the Secretary of Agriculture (hereinafter in this Act referred to as the "Secretary"), with respect to non-Federal forest lands, to assist in—

[(1) the advancement of forest resources management;

[(2) the encouragement of the production of timber;

[(3) the prevention and control of insects and diseases affecting trees and forests;

[(4) the prevention and control of rural fires;

[(5) the efficient utilization of wood and wood residues, including the recycling of wood fiber;

[(6) the improvement and maintenance of fish and wildlife habitat; and

[(7) the planning and conduct of urban forestry programs.

[(c) It is in the national interest for the Secretary to work through and in cooperation with State foresters or equivalent State officials in implementing Federal programs affecting non-Federal forest lands.

[(d) This Act shall be deemed to complement the policies and direction set forth in the Forest and Rangeland Renewable Resources Planning Act of 1974.]

SEC. 2. FINDINGS, PURPOSE, AND POLICY.

(a) FINDINGS.—Congress finds that—

(1) most of the productive forest land of the United States is in private, State, and local governmental ownership, and the capacity of the United States to produce renewable forest resources is significantly dependent on such non-Federal forest lands;

(2) adequate supplies of timber and other forest resources are essential to the Nation, and adequate supplies are dependent on efficient methods for establishing, managing, and harvesting trees and processing, marketing, and using wood and wood products;

(3) nearly one-half of the wood supply of the Nation comes from non-industrial private timberlands and such percentage could rise with expanded assistance programs;

(4) managed forest lands provide habitats for fish and wildlife, as well as aesthetics, outdoor recreation opportunities, and other forest resources;

(5) the soil, water, air quality, and aesthetics of the Nation can be maintained and improved through good stewardship of privately held forest resources;

(6) insects and diseases affecting trees occur and sometimes create emergency conditions on all land, whether Federal or non-Federal, and efforts to prevent and control such insects and diseases often require coordinated action by both Federal and non-Federal land managers;

(7) fires in rural areas threaten human lives, property, and forests and other resources, and Federal-State cooperation in forest fire protection has proven effective and valuable;

(8) trees and forests are of great environmental and economic value to urban areas;

(9) managed forests contribute to improving the quality, quantity, and timing of water yields, that are of broad benefit to society;

(10) over half the forest lands of the Nation are in need of some type of conservation treatment;

(11) forest landowners are being faced with increased pressure to convert their forest land to development and other purposes;

(12) increased population pressures and user demands are being placed on private, as well as public, landholders to provide a wide variety of products and services including fish and wildlife habitat, maintenance of biological diversity, aesthetic quality, and recreational opportunities;

(13) stewardship of privately held forest resources requires a long-term commitment that can be fostered through local, State, and Federal governmental; actions;

(14) the Department of Agriculture, through the coordinated efforts of the Agriculture Research Service, Agriculture Stabilization and Conservation Service, Cooperative State Research Service, Extension Service, Forest Service, Soil Conservation Service cooperating with other Federal agencies, and State foresters and other political subdivisions, has the expertise and experience to assist private landowners in achieving individual goals and public benefits;

(15) Federal funding for State and private forest management assistance has been reduced by 44 percent between 1979 and 1989;

(16) sustainable agroforestry systems that integrate the soil and crop protection of tree windbreaks with the soil and water protection of conservation farming practices can improve environmental quality, maintain farm yields, and income;

(17) the greatest benefits of tree planting in semiarid lands are for soil and water conservation, crop, livestock, and road protection, surface and ground water quality protection, biological diversity, recreational, wildlife, environmental and socio-economic enhancement and;

(18) the same forest resource supply, protection and management issues that exist in the United States are also present on an international scale, and the forest and rangeland renewable resources of the world are threatened by deforestation due to conversion to agriculture of lands better suited to other purposes, over-grazing, over-harvesting, and other causes which pose a direct adverse threat to people, the global environment, and the world economy.

(b) PURPOSE.—It is the purpose of this Act to authorize the Secretary of Agriculture (hereinafter in this Act referred to as the "Secretary") with respect to non-Federal forest lands, in the United States, and forest land in foreign countries, to assist in—

(1) the establishment of a coordinated and cooperative Federal, State, and local forest stewardship program for management of the non-Federal forest lands of the United States;

(2) the encouragement of the production of timber;

(3) the prevention and control of insects and diseases affecting trees and forests;

(4) the prevention and control of rural fires;

(5) the efficient utilization of wood and wood residues, including the recycling of wood fiber;

(6) the improvement and maintenance of fish and wildlife habitat;

(7) the planning and conduct of urban forestry programs;

(8) the establishment of a forest stewardship program to broaden existing forest management, fire protection, and insect and disease protection programs on non-Federal private forest lands to meet the multiple use objectives of landowners in an environmentally sensitive manner;

(9) the establishment of a Forest Legacy Program that provides landowners with opportunities to protect ecologically valuable or threatened non-Federal forest lands; and

(10) the strengthening of educational, technical and financial assistance programs that provide assistance to owners of non-Federal forest lands in the United States, and forest lands in foreign countries.

(c) POLICY.—It is the policy of Congress that it is in the national interest for the Secretary to work through and in cooperation with State foresters, or equivalent State officials, non-governmental organizations and the private sector in implementing Federal programs affecting non-Federal forest lands.

(d) CONSTRUCTION.—This Act shall be construed to complement the policies and direction under the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 2101).

[RURAL FORESTRY ASSISTANCE

[SEC. 3. (a) Congress finds that—

[(1) production of timber on non-Federal forest lands and the efficient processing and use of wood produced on these lands are important in meeting the Nation's demand for wood and wood products;

[(2) the Federal Government can assist in increasing timber inventories, improving and maintaining fish and wildlife habitat, and providing other forest resources on non-Federal forest lands; and

[(3) Federal assistance in forest resources management on non-Federal forest lands and the utilization of resources from these lands contribute to the economic strength and environmental quality of the Nation, providing many public benefits.

[(b) The Secretary is authorized to provide financial, technical, and related assistance to State foresters or equivalent State officials to—

[(1) develop genetically improved tree seeds;

[(2) procure, product, and distribute tree seeds and trees for the purpose of establishing forests, windbreaks, shelterbelts, woodlots, and other plantings;

[(3) plant tree seeds and trees for the reforestation or afforestation of non-Federal forest lands suitable for the production of timber and other benefits associated with the growing of trees; growing of trees;

[(4) plan, organize, and implement measures on non-Federal forest lands, including, but not limited to, thinning, prescribed burning, and other silvicultural practices designed to increase the quantity and improve the quality of trees and other vegetation, fish and wildlife habitat, and water yielded therefrom;

[(5) protect or improve soil fertility on non-Federal forest lands and the quality, quantity, and timing of water yields; and

[(6) provide technical information, advice, and related assistance to private forest landowners and managers, vendors, forest operators, wood processors, public agencies, and individuals regarding—

[(A) the harvesting, processing, and marketing of timber and other forest resources and the marketing and utilization of wood and wood products;

[(B) Conversion of wood to energy for domestic, industrial, municipal, and other uses;

[(C) management planning and treatment of forest land, including, but not limited to, site preparation, reforestation, thinning, prescribed burning, and other silvicultural practices designed to increase the quantity and improve the quality of timber and other forest resources;

[(D) protection and improvement of forest soil fertility and the quality, quantity, and timing of water yields; and

[(E) the effects of forestry practices on fish and wildlife and their habitats.

[(c) There are hereby authorized to be appropriated annually such sums as may be needed to implement this section.]

SEC. 3. RURAL FORESTRY ASSISTANCE.

(a) IN GENERAL.—The Secretary, acting through the appropriate Federal, State and local agencies, and the private sector shall establish and implement expanded programs that provide educational and technical assistance to meet the goals of this Act.

(b) ASSISTANCE.—The Secretary may provide financial, technical, educational, and related assistance to the State foresters, State extension directors, and equivalent State officials to enable such officials to provide technical information, advice, and related assistance to private forest landowners and managers, vendors, forest resource operators, forest resource professionals, public agencies and individuals to enable such persons to carry out activities that are consistent with the purposes of this Act, including—

(1) protecting, maintaining, enhancing, restoring, and preserving forest lands and the multiple values, uses, and communities that depend on such lands, including—

(A) monitoring the condition of the forest to ensure a healthy condition;

(B) conserve the soil and water resources associated with their forest lands;

(2) identifying, protecting, maintaining, enhancing, and preserving rare and endangered wildlife and fish species and their habitats;

(3) implementing forest stewardship and management technologies;

(4) selecting, producing, and marketing alternative forest crops, products and services from forest lands;

(5) protecting forest land from damage caused by fire, insects, and disease;

(6) identifying highly aesthetic forest land and implement management activities to protect, regenerate, and improve the aesthetic character of such lands;

(7) managing the lands where rural and urban areas meet to balance the use of forest resources in and adjacent to urban and community areas and to protect forest lands from conversion to other uses;

(8) identifying and managing recreational forest land resources;

(9) protecting forest land from conversion to alternative uses; and

(10) managing the timber resources of forest lands, including—

(A) the harvesting, processing, and marketing of timber and other forest resources and the marketing and utilization of wood and wood products;

(B) the conversion of wood to energy for domestic, industrial, municipal, and other uses;

(C) the planning, management, and treatment of forest land, including site preparation, reforestation, thinning,

prescribed burning, and other silvicultural activities designed to increase the quantity and improve the quality of timber and other forest resources;

(D) investing a portion of the proceeds from the sale of timber or other forest resources in stewardship activities that preserve, protect, maintain, and enhance their forest land;

(E) ensuring that forest regeneration or reforestation occurs if needed to sustain long term resource productivity and to help prevent major climatic changes as a result of the greenhouse effect;

(F) protecting and improving forest soil fertility and the quality, quantity, and timing of water yields; and

(G) protecting and improving fish and wildlife and their habitats.

(c) STATE FORESTRY ASSISTANCE.—The Secretary is authorized to provide financial, technical, and related assistance to State foresters, or equivalent State officials, to—

(1) develop genetically improved tree seeds;

(2) procure, produce, and distribute tree seeds and trees for the purpose of establishing forests, windbreaks, shelterbelts, woodlots, and other plantings;

(3) plant tree seeds and trees for the reforestation or aforestation of non-Federal forest lands that are suitable for the production of timber, recreation, and for other benefits associated with the growing of trees;

(4) plan, organize, and implement measures on non-Federal forest lands, including thinning, prescribed burning, and other silvicultural activities designed to increase the quantity and improve the quality of trees and other vegetation, fish and wildlife habitat, and water yielded therefrom; and

(5) protect or improve soil fertility on non-Federal forest lands and the quality, quantity, and timing of water yields.

(d) FOREST STEWARDSHIP PROGRAM.—

(1) ESTABLISHMENT.—The Secretary, in consultation with the State foresters, or equivalent State officials, shall establish a program within the Forest Service, to be known as the "Forest Stewardship Program" (hereinafter referred to in this section as the "Program"), to meet the objective and goal of subparagraphs (A) and (B) of paragraph (2).

(2) OBJECTIVES AND GOAL.—

(A) OBJECTIVE.—It shall be the objective of the Program to encourage the long-term stewardship of nonindustrial private forest lands by assisting owners of such lands to more actively manage their forest and related resources.

(B) GOAL.—The goal of the Program shall be to place an additional 25,000,000 acres of nonindustrial private forest lands under stewardship management in accordance with landowner objectives and to provide multiple benefits to the nation between 1991 and 1995.

(3) ASSISTANCE.—

(A) PROVISION.—In carrying out the Program, the Secretary, in consultation with each State Forester or equivalent official, may provide financial, technical, and related as-

sistance to such State Foresters or equivalent State officials, who may use such assistance to provide financial assistance to other State and local natural resource agencies and land-grant universities for the delivery of information and professional assistance to owners of nonindustrial private forest lands.

(B) COOPERATION.—The Secretary, in consultation with the State Foresters or equivalent State officials, may cooperate directly with other State and local natural resource agencies and land-grant universities in implementing this section in cases in which the State Foresters or equivalent State officials are not able to make fund transfers to other agencies.

(C) ACTIONS OF OWNERS.—The information and assistance made available under this subsection shall be directed to assist owners of forest lands to understand and evaluate alternative activities and practices such owners could take on their land under this Act.

(4) RECOGNITION PROGRAM.—The Secretary, in consultation with the State Foresters or equivalent State officials, is encouraged to develop an appropriate recognition program for landowners who practice stewardship management on their lands, with an appropriate, special recognition symbol and title.

(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section, $25,000,000 for each of the fiscal years 1991 through 1995.

(e) IMPLEMENTATION.—In implementing this section, the Secretary shall cooperate with other Federal, State, and local natural resources agencies, universities and the private sector.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section, other than subsection (d).

SEC. 4. FOREST STEWARDSHIP INCENTIVES.

(a) ESTABLISHMENT.—The Secretary, in consultation with the State foresters, or equivalent State officials, shall establish a program within the Forest Service, to be known as the "Forest Stewardship Incentives Program" (hereinafter referred to in this section as the "Program"), to meet the objectives and goals of section 3(d)(2).

(b) ELIGIBILITY.—

(1) IN GENERAL.—All existing private nonindustrial forest lands that are not in management under existing Federal State, or private sector financial and technical assistance programs are eligible for assistance under the Program. Private nonindustrial forest lands that are managed under existing Federal, State, or private sector financial and technical assistance programs may be eligible for assistance under the Program if forest management activities are expanded or enhanced and the landowner agrees to meet the requirements of this Act.

(2) COST SHARING.—Landowners shall be eligible for cost sharing assistance under this section if such landowners own not more than 1,000 acres of forest land, except that the Secretary may approve the provision of cost sharing assistance to landowners that own more than 1,000 acres of such land if the

Secretary determines that significant public benefits from such will accrue. The Secretary shall not approve of the provision of cost sharing assistance to any landowner owning in excess of 5,000 acres of private forest land. A landowner shall not receive cost share assistance for timber management under this section if such landowner receives cost share assistance under section 6.

(3) STATE PRIORITIES.—The Secretary in consultation with the State forester, or equivalent State official, and other State natural resource management agencies may recommend State priorities for bringing forest land into the Program that will promote the unique forest management objectives in that State.

(4) APPROVED ACTIVITIES.—

(A) DEVELOPMENT.—The Secretary, in consultation with the State Forest Stewardship Advisory Committees established under section 18(b), shall develop a list of approved forest activities and practices that will be eligible for cost-share assistance under the Program within each State.

(B) TYPE OF ACTIVITIES.—The Secretary, in developing a list of approved activities and practices under subparagraph (A), shall attempt to achieve landowner and public purposes including—

(i) the management, maintenance, and restoration of forests for shelterbelts, windbreaks, aesthetic quality and other conservation purposes;

(ii) the sustainable growing and management of forests for timber production pursuant to the forestry incentives program under section 6 of this Act;

(iii) the protection, restoration, and use of forest wetlands;

(iv) the enhanced management and maintenance of native vegetation on other lands vital to water quality;

(v) agro-forestry management;

(vi) the growing and management of trees for energy conservation purposes;

(vii) the management and maintenance of fish and wildlife habitat;

(viii) the management of outdoor recreational opportunities; and

(ix) other activities approved by the Secretary.

(C) EXISTING ENVIRONMENTAL LAWS.—In developing and applying approved activities under subparagraph (A), the Secretary shall ensure that such approved activities are consistent with existing Federal and State environmental laws and policies.

(c) DUTIES OF OWNERS.—To enter forest land into the Program, the landowners shall—

(1) prepare and submit to the State forester a forest stewardship management plan that meets the requirements of subsection (b) and that shall—

(A) be prepared by a professional resource manager;

(B) identify and describe actions to be taken by the landowner to protect soil, water, range, aesthetic quality, recreation, timber, water, fish and wildlife resources on such

land in a manner that is compatible with the objectives of the landowner; and

(C) be approved by the State forester, or equivalent State official, in accordance with Federal and State law;

(2) agree to maintain the approved activities on the land that is subject to the management plan for not less than 20 years unless the State forester, or equivalent State official, approves modifications in such plan; and

(3) agree that during the 20-year period, all activities conducted on such land shall be consistent with the intent of this Act.

(d) REIMBURSEMENT OF ELIGIBLE ACTIVITIES.—

(1) IN GENERAL.—The Secretary shall share the cost of developing and carrying out the forest stewardship management plan under subsection (c), and in implementing the approved activities that the Secretary determines are appropriate and in the public interest, with a landowner who has entered in an agreement to place the forest land of such owner into the Program.

(2) RATE.—The Secretary, in consultation with the State forester, or equivalent State official, shall determine the appropriate reimbursement rate for making cost share payments under paragraph (1), and the schedule of such payments.

(3) MAXIMUM.—The Secretary shall not make cost share payments under this subsection to a landowner in an amount in excess of 75 percent of the total cost to such landowner of developing and implementing the forest stewardship management plan. Total payments to any one landowner shall be determined by the Secretary.

(e) PENALTY PAYBACK PROVISION.—The Secretary shall establish and implement a penalty-payback provision to be applied in the event that a landowner terminates any approved practice required under the forest stewardship management plan of such landowner within the life of the contract.

(f) PREPARATION.—The Secretary shall encourage the use of private agencies, consultants, organizations, and firms to the extent feasible for the preparation of individual forest stewardship management plans and the implementation of approved activities.

(g) DISTRIBUTION.—The Secretary shall distribute funds available for cost sharing under this section among the States only after assessing the public benefit incident to such distribution, and after giving appropriate consideration to—

(1) the acreage of private forest land in each State;

(2) the potential productivity of such land;

(3) the number of owners eligible for cost sharing in each State; and

(4) the need for multiple-use forestry investments on such ownerships.

(h) OTHER AUTHORITY.—In implementing this section, the Secretary may use the authorities provided in sections 1001, 1002, 1004, and 1008 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973.

(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 5. FOREST LEGACY PROGRAM.

(a) ESTABLISHMENT AND PURPOSE.—The Secretary shall establish a Forest Legacy Program in cooperation with State and political subdivisions for the purpose of protecting environmentally sensitive forest lands that are threatened by conversion to an alternative use through the facilitation of the utilization of conservation easements in the administration of lands and interests in lands for conservation purposes as otherwise provided in law.

(b) INTEREST IN LAND AND WATER.—In addition to the authorities granted under the Weeks Act and the Department of Agriculture Organic Act of 1956, the Secretary may purchase interests in land and water for the protection of forest resources and the preservation of environmental resources from willing forest landowners, on forest lands eligible for inclusion in the Forest Legacy Program established under this section.

(c) IMPLEMENTATION.—

(1) IN GENERAL.—Interest in lands or water under subsection (b) may be held by the Secretary.

(2) PILOT PROJECTS.—Not later than 1 year after the date of enactment of this section, the Secretary shall establish a pilot project to meet the goals and requirements of this section for the Forest Legacy Program in the northern forest lands of new York, New Hampshire, Vermont, and Maine. The Secretary shall establish additional projects in each of the Northeast, Midwest, South, and Western regions of the United States, and the Pacific Northwest (including the State of Washington), on the preparation of an assessment of the need for such a project.

(3) DISCRETION.—Subsequent State programs or a comprehensive national program under this section shall be implemented at the discretion of the Secretary.

(d) ELIGIBILITY.—The Secretary, in consultation with State Forest Stewardship Advisory Committees established under section 18(b), shall establish eligibility criteria for the inclusion of land with significant environmental values threatened by conversion to nonforest uses in the Forest Legacy Program. Of land proposed to be included in the Program the Secretary shall give priority to lands—

(1) that have unique scenic or recreational values;

(2) that are unique riparian areas; or

(3) that have unique fish and wildlife values.

(e) APPLICATION.—To be eligible to enter forest lands in the Forest Legacy Program, the owner of such land shall prepare and submit, through the State Forester, an application at such time, in such form, and containing such information as the Secretary shall require. Not later than 1 year after the date of enactment of this section the Secretary shall make available application forms under this subsection.

(f) DETERMINATION.—The Secretary shall determine the eligibility of forest lands for inclusion within the Forest Legacy Program in consultation with the State forester and other appropriate State natural resource management agencies. If applications exceed the ability of the Secretary to bring forest lands into the Forest Legacy Program, priority shall be given to those forest lands under the greatest threats pursuant to the criteria described in subsection (d).

(g) FOREST MANAGEMENT ACTIVITIES.—Forest management activities, including timber management, on land entered in the Forest Legacy Program shall be consistent with the purpose of this section. Such activities shall be described and approved under a Forest Legacy Plan submitted under subsection (h)(1).

(h) DUTIES OF OWNERS.—Under the terms of an interest in land acquired under subsection (b), the landowner shall—

(1) prepare a Forest Legacy Plan pursuant to the eligibility criteria established under subparagraphs (A), (B), and (C) of section (4)(c)(1) and—

(A) identify the environmental and ecological rationale for bringing the forest land into the Forest Legacy Program;

(B) describe any management activity that is planned under the forest reserve plan and the manner in which the values identified in such plan are to be protected; and

(C) disclose other information determined appropriate by the Secretary; and

(2) manage such land in a manner that is consistent with and protects the purposes for which the forest land was placed in the Forest Legacy Program and shall not covert such lands to other uses during the life of the interest in the land or water that is acquired by the Secretary. Hunting, fishing, and similar recreational leases shall not be considered to be inconsistent with the purposes of this program.

(i) REINBURSEMENT.—

(1) COST SHARING.—In return for an interest in land or water acquired by the Secretary under this section, the Secretary shall share, with the landowner, State, private, or nongovernmental organization, the cost of purchasing any such interest and any management program that the Secretary determines is in the public interest.

(2) RATE AND SCHEDULE.—The Secretary, in consultation with the State forester, shall determine the appropriate reimbursement rate and schedule for various lands in the Forest Legacy Program. Such determination shall be based on—

(A) the value of the land;

(B) the ecological and scenic value of the land;

(C) the degree of threat of loss of forest land;

(D) any potential income expected; and

(E) any other criteria that are developed by the Secretary.

(3) FEDERAL SHARE.—The Federal share of payments under paragraph (1) shall not exceed 75 percent.

(4) PAYMENTS.—Payments under this section shall—

(A) be lump-sum or periodic payments that are established within the interest in lands; and

(B) be based on other criteria determined appropriate by the Secretary.

(j) EASEMENTS.—

(1) DEFINITION.—As used in this section, the terms "conservation easement," or "easement" means any interest in lands or waters or both owned by the United States, a State or local government entity, or nonprofit organization for any of the purposes described in section 170(h)(4) of the Internal Revenue Code of 1986. Such terms shall also include the acquisition of all

rights, title and interests in a property, except those expressly reserved by a Grantor that run with the land to the Grantor's successors in title.

(2) PROHIBITIONS ON LIMITATIONS.—Notwithstanding any provision of State law, no easement held by the United States under this section shall be limited in duration or scope or defeasible by—

(A) the easement being in gross or appurtenant;

(B) the management of the easement having been delegated or assigned to a non-Federal entity;

(C) any requirement under State law for re-recordation or renewal of the easement; or

(D) any future disestablishment of a Federal project area for which the easement was originally acquired.

(3) AUTHORITY TO ACQUIRE.—Unless expressly prohibited by Federal law, wherever the Secretary is authorized to acquire lands under any provision of law, such authorization shall be construed to also include the acquisition of easements.

(4) CONSTRUCTION.—Notwithstanding any provision of State law, easements shall be construed to effect the Federal purposes for which they were acquired and in interpreting their terms there shall be no presumption favoring the easement holder or fee owner.

(k) APPROPRIATION.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

FORESTRY INCENTIVES

SEC. [4.]*6.* (a) The Secretary is authorized to develop and implement a forestry incentives program to encouarge the development, management, and protection of nonindustrial private forest lands. The purposes of such program shall be to encouarge landowners to apply practices that will provide for afforestation of suitable open lands, reforestration of cutover or other nonstocked or understocked forest lands, timber stand improvement practices, including thinning, prescribed burning, and other silvicultural treatments, and forest resources management and protection, so as to provide for the production of timber and other forest resources associated therewith.

(b) For the purposes of this section, the term "private forest land" means land capable of producing crops of industrial wood and owned by any private individual, group, Indian tribe or other native group, association, corporation, or other legal entity.

(c) Landowners shall be eligible for cost sharing under this program if they own one thousand acres or less of private forest land, except that the Secretary may approve cost sharing with landowners owning more than one thousand acres of such land if significant public benefits will accrue. In no case, however, may the Secretary approve cost sharing with landowners owning more than five thousand acres of private forest land.

(d) The Secretary shall administer this section in accordance with regulations the Secretary shall develop in consultation with the committee described in section [10(c)]*12(c)* of this Act. Regulation issued under title X of the Agricultural Act of 1970, as added

by the Agriculture and Consumer Protection Act of 1973, to the extent not inconsistent with the provisions of this section, shall remain in effect until revoked or amended by regulations issued under this subsection. The regulations issued under this subsection shall include guidelines for the administration of this section at the Federal and State levels, and shall identify and measures and activities eligible for cost sharing under this section.

(e) Individual forest management plans developed by the landowner in cooperation with and approved by the State forester or equivalent State official shall be the basis for agreements between and landowner and the Secretary under this section. The Secretary shall encourage participating States to use private agencies, consultants, organizations, and firms to the extent feasible for the preparation of individual forest management plans.

(f) In return for the agreement by the landowner, the Secretary shall agree to share the cost of implementing those forestry practices and measures set forth in the agreement for which the Secretary determines that cost sharing is appropriate. The portion of such cost (including labor) to be shared shall be that portion that the Secretary determines is necessary and appropriate to implement the forestry practices and measures under the agreement, but not more than 75 percent of the actual costs incurred by the landowner. The maximum amount any individual may receive annually under the program authorized by this section shall be determined by the Secretary in consultation with the committee described in section [10(c)] *12(c)* of this Act.

(g) The Secretary shall, for the purposes of this section, distribute funds available for cost sharing among the States only after assessing the public benefit incident thereto, and after giving appropriate consideration to (1) the acreage of private commercial forest land in each State, (2) the potential productivity of such land, (3) the number of ownerships eligible for cost sharing in each State, (4) the need for reforestation, timber stand improvement, or other forestry investments on such ownerships, and (5) the enhancement of other forest resources.

(h) The Secretary may, if the Secretary determines that doing so will contribute to the effective and equitable administration of the program authorized by this section, use an advertising and bid procedure in determining the lands in any area to be covered by agreements under this section.

(i) In implementing this section, the Secretary may use the authorities provided in sections 1001, 1002, 1004, and 1008 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973.

(j) There are hereby authorized to be appropriated annually such sums as may be needed to implement this section, including funds necessary for technical assistance and expenses associated therewith.

[INSECT AND DISEASE CONTROL

[Sec. 5. (a) The Secretary is authorized to protect from insects and diseases trees and forests and wood products, stored wood, and

wood in use directly on the National Forest System and in cooperation with others on other lands in the United States, in order to—

[(1) enhance the growth and maintenance of trees and forests;

[(2) promote the stability of forest-related industries and employment associated therewith through protection of forest resources;

[(3) aid in forest fire prevention and control;

[(4) conserve forest cover on watersheds;

[(5) protect outdoor recreation opportunities and other forest resources; and

[(6) extend timber supplies by protecting wood products, stored wood, and wood in use.

[(b) Subject to the provisions of subsections (c), (d), and (e) of this section and subject to whatever other conditions the Secretary may prescribe, the Secretary is authorized, directly on the National Forest System, and in cooperation with other Federal departments on other Federal lands, and in cooperation with State foresters or equivalent State officials, subdivisions of States, agencies, institutions, organizations, or individuals on non-Federal lands, to—

[(1) conduct surveys to detect and appraise insect infestations and disease conditions affecting trees;

[(2) determine the biological, chemical, and mechanical measures necessary to prevent, retard, control, or suppress incipient, potential, threatening, or emergency insect infestations and disease conditions affecting trees;

[(3) plan, organize, direct, and perform measures the Secretary determines necessary to prevent, retard, control, or suppress incipient, potential, threatening, or emergency insect infestations and disease epidemics affecting trees;

[(4) provide technical information, advice, and related assistance in managing and coordinating the use of pesticides and other toxic substances applied to trees and other vegetation, and to wood products, stored wood, and wood in use; and

[(5) take any other actions the Secretary deems necessary to accomplish the objectives and purposes of this section.

[(c) Operations planned to prevent, retard, control, or suppress insects or diseases affecting forests and trees on land not controlled or administered by the Secretary shall not be conducted without the consent, cooperation, and participation of the entity having ownership of or jurisdiction over the affected land.

[(d) No money appropriated to implement this section shall be expended to prevent, retard, control, or suppress insects or diseases affecting trees on non-Federal land until the entity having ownership of or jurisdiction over the affected land contributes, or agrees to contribute, to the work to be done in the amount and in the manner determined by the Secretary.

[(e) The Secretary may, in the Secretary's discretion and out of any money appropriated to implement this section, make allocations to Federal agencies having jurisdiction over lands held or owned by the United States in the amounts the Secretary deems necessary to prevent, retard, control, or suppress insect infestations and disease epidemics affecting trees on those lands.

[(f) Any money appropriated to implement this section shall be available for necessary expenses. However, no money appropriated to implement this section shall be used to (1) pay the cost of felling and removing dead or dying trees unless the Secretary determines that such actions are necessary to prevent the spread of a major insect infestation or disease epidemic severely affecting trees, or (2) compensate for the value of any property injured, damaged, or destroyed by any cause. The Secretary may procure materials and equipment necessary to prevent, retard, control, or suppress insects and diseases affecting trees without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C., 5), under whatever procedures the Secretary may prescribe, whenever the Secretary deems such action necessary and in the public interest.

[(g) There are hereby authorized to be appropriated annually such sums as may be needed to implement this section.]

SEC. 7. FOREST HEALTH PROTECTION.

(a) IN GENERAL.—The Secretary, in cooperation with others on lands in the United States, may protect trees and forests and wood products, stored wood, and wood in use directly on the National Forest System, from natural and man made causes, to—

(1) enhance the growth and maintenance of trees and forests;

(2) promote the stability of forest-related industries and employment associated therewith through the protection of forest resources;

(3) aid in forest fire prevention and control;

(4) conserve forest cover on watersheds, shelterbelts, and windbreakers;

(5) protect outdoor recreation opportunities and other forest resources; and

(6) extend timber supplies by protecting wood products, stored wood, and wood in use.

(b) ACTIVITIES.—Subject to subsections (c), (d), and (e) and to whatever other conditions the Secretary may prescribe, the Secretary may, directly on the National Forest System, in cooperation with other Federal departments on other Federal lands, and in cooperation with State foresters, or equivalent State officials, subdivisions of States, agencies, institutions, organizations, or individuals on non-Federal lands—

(1) conduct surveys to detect and appraise insect infestations and disease conditions and man made stresses affecting trees and to establish a monitoring system throughout the forests of the United States to determine detrimental changes or improvements that occur over time, and report annually concerning such surveys;

(2) determine the biological, chemical, and mechanical measures necessary to prevent, retard, control, or suppress incipient, potential, threatening, or emergency insect infestations and disease conditions affecting trees;

(3) plan, organize, direct, and perform measures the Secretary determines necessary to prevent, retard, control, or suppress incipient, potential, threatening, or emergency insect infestations and disease epidemics affecting trees;

(4) provide technical information, advice, and related assistance on the various techniques available to maintain a healthy forest in managing and coordinating the use of pesticides and other toxic substances applied to trees and other vegetation, and to wood products, stored wood, and wood in use;

(5) develop applied technology and conduct case studies of pilot tests of research results prior to the full-scale application of such technology in affected forests;

(6) promote the implementation of appropriate silvicultural or management techniques that may improve or protect the health of the forests of the United States; and

(7) take any other actions the Secretary determines necessary to accomplish the objectives and purposes of this section.

(c) CONSENT OF ENTITY.—Operations under this section to prevent, retard, control, or suppress insects or diseases affecting forests and trees on land not controlled or administered by the Secretary shall not be conducted without the consent, cooperation, and participation of the entity having ownership of or jurisdiction over the affected land.

(d) CONTRIBUTION BY ENTITY.—No money appropriated to implement this section shall be expended to prevent, retard, control, or suppress insects or diseases affecting trees on non-Federal land until the entity having ownership of or jurisdiction over the affected land contributes, or agrees to contribute, to the work to be done in the amount and in the manner determined appropriate by the Secretary.

(e) ALLOTMENTS TO OTHER AGENCIES.—The Secretary may, in the Secretary's discretion, out of any money appropriated to implement this section, make allocations to Federal agencies having jurisdiction over lands held or owned by the United States in the amounts the Secretary determines necessary to prevent, retard, control, or suppress, insect infectations and disease epidemics affecting trees on those lands.

(f) LIMITATION ON USE OF APPROPRIATIONS.—Amounts appropriated to implement this section shall be available for necessary expenses. No such amounts shall be used to—

(1) pay the cost of felling and removing dead or dying trees unless the Secretary determines that such actions are necessary to prevent the spread of a major insect infestation or disease epidemic severely affecting trees; or

(2) compensate for the value of any property injured, damaged, or destroyed by any cause.

The Secretary may procure materials and equipment necessary to prevent, retard, control, or suppress insects and diseases affecting trees without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), under whatever procedures the Secretary may prescribe, if the Secretary determines that such action is necessary and in the public interest.

(g) PARTNERSHIPS.—The Secretary may provide financial assistance through the Forest Service, to partnerships among the Forest Service and State and private forestry organizations, in cooperation with State foresters or equivalent State officials, to monitor forest health and protect the forest lands of the United States. The Secretary shall require contribution by the non-Federal partner in the amount and in the manner determined appropriate. Such non-Fed-

eral share can be in the form of cash, services, or equipment, as determined appropriate by the Secretary.

(h) EMERGENCY SUPPRESSIONS.—Any appropriations of funds available to the Forest Service may be utilized to provide assistance to State and private forestry organizations for the emergency suppression of forest pests on all lands of the United States.

(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated annually such sums as may be necessary to carry out this section.

URBAN FORESTRY ASSISTANCE

SEC. [6] *8.* (a) Congress finds that—

(1) trees and forests in urban areas, incluidng cities, their suburbs, and towns, improve esthetic quality, reduce noise, filter impurities from the air and add oxygen to it, save energy by moderating temperature extremes, control wind and water erosion, and provide habitat for wildlife;

(2) trees and forests in urban areas are weakened, damaged, or killed by highway and street, widening, sidewalk construction, air pollution, modified drainage patterns, erosion, depletion of soil fertility, insects and diseases, mechanical and structural facilities, and other adverse influences that result from or are aggravated by the concentrated use of land; and

(3) planting, protecting, and maintaining trees and forests and utilizing wood from pruned limbs, damaged trees, and felled trees in urban areas make those areas more pleasant and healthful.

(b) The Secretary is authorized to provide financial, technical, and related assistance to State foresters or equivalent State officials for the purpose of encouraging State to provide information and technical assistance to units of local government and others that will encourage cooperative efforts to plan urban forestry programs and to plant, protect, and maintain, and utilize wood from, trees in open spaces, greenbelts, roadside screens, parks woodlands, curb areas, and residential developments in urban areas. The Secretary is also authorized to cooperate directly with units of local government and others in implementing this section whenever the Secretary and the affected States forester or equivalent State official agree that direct cooperation would better achieve the purposes of this section.

(c) There are hereby authorized to be appropriated annually such sums as may be needed to implement this section.

RURAL FIRE PREVENTION AND CONTROL

SEC. [7] *9.* (a) Congress finds that—

(1) significant accomplishments have been made by the Secretary and cooperating States in the prevention and control of fires on forest lands and on nonforested watersheds for more than fifty years;

(2) progress is being made by the Secretary and cooperating States and rural communities in the protection of human lives, agricultural crops and livestock, property and other improvements, and natural resources from fires in rural areas;

(3) notwithstanding the accomplishments and progress that have been made, fire prevention and control on rural lands and in rural communities are of continuing high priority to protect human lives, agricultural corps and livestock, property and other improvements, and natural resources;

(4) the effective cooperative relationships between the Secretary and the States regarding fire prevention and control on rural lands and in rural communities should be retained and improved; and

(5) efforts in fire prevention and control in rural areas should be coordinated among Federal, State, and local agencies; and

(6) in addition to providing assistance to State and local rural fire prevention and control programs the Secretary should provide prompt and adequate assistance whenever a rural fire emergency overwhelms, or threatens to overwhelm, the firefighting capability of the affected State or rural area.

(b) Notwithstanding the Federal Fire Prevention and Control Act of 1974, the Secretary is authorized, under whatever conditions the Secretary may prescribe, to—

(1) cooperate with State foresters or equivalent State officials in developing systems and methods for the prevention, control, suppression, and prescribed use of fires on rural lands and in rural communities that will protect human lives, agricultural crops and livestock, property and other improvements, and natural resources;

(2) provide financial, technical, and related assistance to State foresters or equivalent State officials, and through them to other agencies and individuals, for the prevention, control, suppression, and prescribed use of fire on non-Federal forest lands and other non-Federal lands; [and]

(3) provide financial, technical, and related assistance to State foresters or equivalent State officials in cooperative efforts to organize, train and equip local firefighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources, in rural areas. As used herein, the term "rural areas" shall have the meaning set out in the first clause of section 306(a)(7) of the Consolidated Farm and Rural Development Act[.] *; and*

(4) provide financial, technical, and related assistance to State forester or equivalent State officials to conduct mobilization activities.

(b) AUTHORIZATIONS OF APPROPRIATIONS.—Section 9(e) (as redesignated by section __104) (16 U.S.C. 2106(e)) is amended—

(1) by striking out "(e)" and inserting in lieu thereof "(e)(1)";

(2) in paragraph (1) (as designated by paragraph (1)), by inserting "Paragraphs (1), (2), and (3) of" after "implement"; and

(3) by adding at the end thereof the following new paragraph:

(2)(A) There is authorized to be appropriated the amount of $100,000,000 for each fiscal year to carry out subsection (b)(4). Of such amount—

(i) $50,000,000 shall be available for State forestry agencies to enhance their firefighting capability and conduct mobilization activities, of which not less than $100,000 shall be made available to each State; and

(ii) $50,000,000 shall be available for rural volunteer fire departments to conduct activities pursuant to subsection (b)(4).

(B) The Federal share of those activities of a State or rural volunteer fire department carried out with funds made available pursuant to this paragraph shall not exceed 50 percent of the cost of those activities and shall be provided on a matching basis. The non-Federal share for such activities may be in the form of cash, services, or in-kind contributions, fairly valued.

(c) DEFINITIONS.—Section 9 (as redesignated by section __104) (16 U.S.C. 2106(e)) is amended by adding at the end thereof the following new subsection:

(g) As used in this Act—

(1) the term "rural volunteer fire department" means any organized, not for profit, fire protection organization which provides service to a community or city with a population of 10,000 or less, whose manpower is 80 percent or more volunteer, and which is recognized as a fire department by the laws of the State; and

(2) the term "mobilization" means any activity in which one fire fighting organization assists another which has requested assistance.

(c) The Secretary, with the cooperation and assistance of the Administrator of General Services, shall encourage the use of excess personal property (within the meaning of the Federal Property and Administrative Services Act of 1949) by State and local fire forces receiving assistance under this section.

(d) To promote maximum effectiveness and economy, the Secretary shall seek to coordinate the assistance the Secretary provides under this section with the assistance provided by the Secretary of Commerce under the Federal Fire Prevention and Control Act of 1974.

[(e)] *(e)(1)* There are hereby authorized to be appropriated annually such sums as may be needed to implement *paragraphs (1), (2), and (3) of* subsection (b) of this section.

(2)(A) There is authorized to be appropriated the amount of $100,000,000 for each fiscal year to carry out subsection (b)(4). Of such amount—

(i) $50,000,000 shall be available for State forestry agencies to enhance their firefighting capability and conduct mobilization activities, of which not less than $100,000 shall be made available to each State; and

(ii) $50,000,000 shall be available for rural volunteer fire departments to conduct activities pursuant to subsection (b)(4).

(B) The Federal share of those activities of a State or rural volunteer fire department carried out with funds made available pursuant to this paragraph shall not exceed 50 percent of the cost of those activities and shall be provided on a matching basis. The non-Federal share for such activities may be in the form of cash, services, or in-kind contributions, fairly valued.

(f) There shall be established in the Treasury a special rural fire disaster fund that shall be immediately available to and used by the Secretary to supplement any other money available to carry out this section with respect to rural fire emergencies, as determined by the Secretary. The Secretary shall determine that State and local resources are fully used or will be fully used before expending money in the disaster fund to assist a State in which one or more rural fire emergencies exist. There are hereby authorized to be appropriated such sums as may be needed to establish and replenish the disaster fund established by this subsection.

(c) DEFINITIONS.—Section 9 (as redesignated by section 1514) (16 U.S.C. 2106(e)) is amended by adding at the end thereof the following new subsection:

(g) As used in this Act—

(1) the term "rural volunteer fire department" means any organized, not for profit, fire protection organization which provides service to a community or city with a population of 10,000 or less, whose manpower is 80 percent or more volunteer, and which is recognized as a fire department by the laws of the State; and

(2) the term "mobilization" means any activity in which one firefighting organization assists another which has requested assistance.

MANAGEMENT ASSISTANCE, PLANNING ASSISTANCE, AND TECHNOLOGY IMPLEMENTATION

SEC. [8] *10.* (a) To aid in achieving maximum effectiveness in the programs and activities conducted under this Act, the Secretary is authorized to provide financial, technical, and related assistance to State foresters or equivalent State officials for the development of stronger and more efficient State organizations that will enable them to fulfill better their responsibilities for theprotection and management of non-Federal forest lands. Assistance under this subsection may include, but will not be limited to, assistance in matters related to organization management, program planning and management, budget and fiscal accounting services, personnel training and management, information services, and recordkeeping. Assistance under this subsection may be extended only upon request by State foresters or equivalent State officials.

(b) To ensure that data regarding forest lands are available for and effectively presented in State and Federal natural resources planning, the Secretary is authorized to provide financial, technical, and related assistance to State foresters or equivalent State officials in the assembly, analysis, display, and reporting of State forest resources data, in the training of State forest resources planners, and in participating in natural resources planning at the State and Federal levels. The Secretary shall restrict assistance under this subsection to the implementation of the forestry aspects of State and Federal natural resources planning conducted under other laws. This subsection shall not be construed, in any way whatsoever, as extending, limiting, amending, repealing, or otherwise affecting any other law or authority.

(c) To ensure that new technology is introduced, new information is integrated into existing technology, and forest resources research findings are promptly made available to State forestry personnel, private forest landowners and managers, vendors, forest operators, wood processors, public agencies, and individuals, the Secretary is authorized to carry out a program of technology implementation.

(1) In implementing this subsection, the Secretary is authorized to work through State foresters or equivalent State officials, and, if the State forester or equivalent State officials, and, if the State forester or equivalent State official is unable to deliver these services, the Secretary is authorized to act through appropriate United States Department of Agriculture agencies, subdivisions of States, agencies, institutions, organizations, or individuals to—

(A) strengthen technical assistance and service programs of cooperators participating in programs under this Act by applying research results and conducting pilot projects and field tests of management and utilization practices, equipment, and technologies related to programs and activities authorized under this Act;

(B) study the effects of tax laws, methods, and practices on forest management;

(C) develop and maintain technical information systems in support of programs and activities authorized under this Act;

(D) test, evaluate, and seek registration of chemicals for use in implementing the programs and activities authorized under this Act;

(E) conduct other activities, including training of State forestry personnel whom the Secretary deems necessary to ensure that the programs and activities authorized under this Act are responsive to special problems, unique situations, and changing conditions.

(2) The Secretary may make funds available to cooperators under this Act without regard to the provisions of section 3648 of the Revised Statutes (31 U.S.C. 529), which prohibits advances of public money.

(3) The Secretary shall use forest resources planning committees at National and State levels in implementing this subsection.

(d) There are hereby authorized to be appropriated annually such sums as may be needed to implement this section.

CONSOLIDATED PAYMENTS

SEC. [9] *11.* (a) To provide flexibility in funding activities authorized under this Act, the Secretary may, upon the request of any State, consolidate the annual financial assistance payment to that State under this Act, in lieu of functional cost sharing mechanisms, formulas, or agreements. However, consolidated payments shall not include money appropriated under section [4] *6* of this Act or money from any special Treasury fund established under this Act.

(b) Consolidation of payments made under this section shall be based upon State forest resources programs developed by State foresters or equivalent State officials, and reviewed by the Secretary.

(c) Consolidated payments to any State during any fiscal year shall not exceed the total amount of non-Federal funds expended within the State during that year to implement its State forest resources program. However, the Secretary may make payments that exceed the non-Federal amount expended for selected activities under the program, if the total Federal expend during any fiscal year does not exceed the total non-Federal expenditure during that year under the State forest resources program.

(d) The Secretary may make consolidated payments on the certificate of the State forester or equivalent State official that the conditions for Federal payment have been met.

(e) The Secretary shall administer this section to ensure that the use of consolidated payments does not adversely affect or eliminate any program authorized under this Act.

(f) Subject to applicable appropriation Acts, the total annual amount of financial assistance to any participating State after the enactment of this Act shall not be less than the base amount of financial assistance provided to that State under all of the provisions of law specified in section [13] *15* of this Act during the fiscal year in which this Act is enacted. However, financial assistance for special projects of two years or less duration shall not be included in determining the base amount for any participating State.

GENERAL PROVISIONS

SEC. [10] *12.* (a) In implementing this Act, the Secretary shall, to the maximum extent practicable—

(1) work through, cooperate with, and assist State foresters or equivalent State officials;

(2) encourage cooperation and coordination between State foresters or equivalent State officials and other State agencies that manage renewable natural resources;

(3) use and encourage cooperators under this Act to use, private agencies, consultants, organizations, firms, and individuals to furnish necessary materials and services; and

(4) promote effectiveness and economy by coordinating the direct actions and assistance authorized under this Act with related programs the Secretary administers, and with cooperative programs of other agencies.

(b) Money appropriated under this Act shall remain available until expended.

(c) Requirements for the development of State forest resources programs and State participation in management assistance, planning assistance, and technology implementation, the apportionment of funds among States participating under this Act, the administrative expenses in connection with activities and programs under this Act, and the amounts to be expended by the Secretary to assist non-State cooperators under this Act, shall be determined by the Secretary in consultation with a committee of not less than five States foresters or equivalent State officials selected by a majority of the State foresters or equivalent State officials from States

participating in programs under this Act. However, the Secretary need not consult with such committee regarding funds to be expended under emergency conditions that the Secretary may determine.

(d) For the purposes of this Act—

(1) The terms "United States" and "State" shall include each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the territories and possessions of the United States;

(2) The term "forest resources" shall include esthetics, fish and wildlife, forage, outdoor recreation opportunities, timber, and water; and

(3) The term "urban forestry" means the planning, establishment, protection, and management of trees and associated plants, individually, in small groups, or under forest conditions within cities, their suburbs, and towns.

(e) The Secretary may prescribe rules and regulations, as the Secretary deems appropriate, to implement the provisions of this Act.

(f) The Secretary is authorized to make grants, agreements, contracts, and other arrangements the Secretary deems necessary to implement this Act.

(g) This Act shall be construed as supplementing all other laws relating to the Department of Agriculture and shall not be construed as limiting or repealing any existing law or authority of the Secretary, except as specifically cited in section [13] *15* of this Act.

(h) In addition to the authority provided elsewhere in this Act, the Secretary may provide assistance to other countries with respect to the activities described in paragraphs (1) through (10) of section 3(b), paragraphs (1) through (5) of section 7(b), and paragraphs (1) through (3) of section 9(b). For the purposes of providing assistance to other countries under this subsection, the term "non-Federal forest land" shall mean any forest land and related renewable natural resources in such countries. In providing the assistance authorized under this subsection, the Secretary shall coordinate with other Federal officials, departments, agencies, or international organizations, as the President may direct. The references to "State foresters or equivalent State officials" in this Act shall not apply to the assistance provided by the Secretary to other countries under this subsection.

[STATEMENT OF LIMITATION

[SEC. 11. This Act does not authorize the Federal Government to regulate the use of private land or to deprive owners of land of their rights to property or to income from the sale of property, and this Act does not diminish in any way the rights and responsibilities of the States and political subdivisions of States.]

STATEMENT OF LIMITATION

SEC. 13. This Act shall not authorize the Federal Government to regulate the use of private land or to deprive owners of land of their

rights to property or to income from the sale of property, unless property rights are voluntarily sold under the Forest Legacy Program, and this Act does not diminish in any way the rights and responsibilities of the States and political subdivisions of States.

REPORTS

SEC. [12] *14.* To ensure that Congress had adequate information to implement its oversight responsibilities and to provide accountability for expenditures and activities under this Act, section 8(c) of the Forest and Rangeland Renewable Resources Planning Act of 1974 is amended by—

(1) inserting immediately before the period at the end of the last sentence "and in cooperative State and private Forest Service programs"; and

(2) adding a new sentence at the end thereof as follows: "With regard to the cooperative forestry assistance part of the Program, the report shall include, but not be limited to, a description of the status, accomplishments, needs, and work backlogs for the programs and activities conducted under the Cooperative Forestry Assistance Act of 1978."

REPEAL OF OTHER LAWS; EXISTING CONTARCTS AND AGREEMENTS; APPROPRIATIONS

SEC. [13] *15.* (a) The following laws, and portions of laws, are hereby repealed:

(1) sections 1, 2, 3, and 4 of the Act of June 7, 1924, known as the Clarke-McNary Act (43 Stat. 653–654, as amended; 16 U.S.C. 564, 565, 566, 567);

(2) the Act of April 26, 1940, known as the White Pine Blister Rust Protection Act (54 Stat. 168; 16 U.S.C. 594a);

(3) the Forest Pest Control Act;

(4) the Cooperative Forest Management Act;

(5) section 401 of the Agricultural Act of 1956;

(6) title IV of the Rural Development Act of 1972; and

(7) section 1009 and the proviso to section 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973.

(b) Contracts and cooperative and other agreements under cooperative forestry programs executed under authority of the Acts, or portions thereof, repealed under subsection (a) of this section shall remain in effect until revoked or ameded by their own terms or under other provisions of law.

(c) Funds appropriated under the authority of the Acts, or portions thereof, repealed under subsection (a) of this section shall be available for expenditure for the programs authorized under this Act.

EFFECTIVE DATE

SEC. [14] *16.* The provisions of this Act shall become effective October 1, 1978.

SEC. 17. COOPERATIVE NATIONAL FOREST PRODUCTS MARKETING PROGRAM.

(a) FINDING AND PURPOSES.—

(1) FINDINGS.—Congress finds that—

(A) the health and vitality of the domestic forest products industry is important to the well-being of the economy of the United States;

(B) the domestic forest products industry has a significant potential for expansion in both domestic and foreign markets;

(C) many small-sized to medium-sized forest products firms lack the tools that would enable them to meet the increasing challenge of foreign competition in domestic and foreign markets; and

(D) a new cooperative forest products marketing program will improve the competitiveness of the United States forest products industry.

(2) PURPOSES.—The purposes of this section are to—

(A) provide direct technical assistance to the United States forest products industry to improve marketing activities;

(B) provide cost-share grants to States to support State and regional forest products marketing programs; and

(C) target assistance to small-sized and medium-sized producers of solid wood and processed wood products, including pulp.

(b) PROGRAM AUTHORITY.—

(1) IN GENERAL.—The Secretary shall establish a cooperative national forest products marketing program under this chapter that provides—

(A) technical assistance to States, landowners, and small-sized to medium-sized forest products firms on ways to improve domestic and foreign markets for forest products; and

(B) grants of financial assistance with matching requirements to the States to assist in State and regional forest products marketing efforts targeted to aid small-sized to medium-sized forest products firms and private, nonindustrial forest landowners.

(2) INTERSTATE COOPERATIVE AGREEMENTS.—Grant agreements shall encourage the establishment of interstate cooperative agreements by the States for the purpose of promoting the development of domestic and foreign markets for forest products.

(c) LIMITATIONS.—

(1) COOPERATION WITH OTHER FEDERAL AGENCIES.—In carrying out this section, the Secretary shall cooperate with Federal departments and agencies to avoid the duplication of efforts and to increase program efficiency.

(2) DOMESTIC PROGRAM.—The program authorized under this section shall be carried out within the United States and not be extended to Department of Agriculture activities in foreign countries.

(d) AUTHORIZATION FOR APPROPRIATIONS.—There are authorized to be appropriated $5,000,000 for each of the fiscal years 1988 through 1991, to carry out this section.

(e) PROGRAM REPORT.—The Secretary shall report to Congress annually on the activities taken under the marketing program estab-

lished under this section. A final report including recommendations for program changes and the need and desirability of the reauthorization of this authority, and required levels of funding, shall be submitted to Congress not later than September 30, 1990.

SEC. 18. FEDERAL, STATE, AND LOCAL COORDINATION AND COOPERATION.

(a) DEPARTMENT OF AGRICULTURE COORDINATION.—

(1) ESTABLISHMENT OF COORDINATING COMMITTEE.—The Secretary shall establish an intra-departmental committee, to be known as the "Forest Resource Coordinating Committee" (hereinafter referred to in this section as the "Coordinating Committee") to coordinate forestry activities.

(2) COMPOSITION.—The Coordinating Committee shall be composed of representatives, appointed by the Secretary, from the Agricultural Research Service, Agricultural Stabilization and Conservation Service, Extension Service, Forest Service and Soil Conservation Service.

(3) CHAIRPERSON.—The Secretary shall designate the Chief of the Forest Service as chairperson.

(3) DUTIES.—The Coordinating Committee shall—

(A) provide assistance in directing and coordinating actions of the Department of Agriculture that relate to educational, technical, and financial assistance concerning forest land to private landowners;

(B) clarify individual agency responsibilities concerning forest land, consistent with the legislative authorities of each agency represented on the Committee; and

(C) advise the Secretary to mediate and facilitate intradepartmental differences regarding the implementation of this Act, and any other Act related to the authority of the Secretary concerning non-Federal forest lands.

(b) FEDERAL, STATE, AND LOCAL COORDINATION.—

"(1) ESTABLISHMENT OF ADVISORY COMMITTEES.—

(A) IN GENERAL.—The Secretary, in consultation with the State forester of each State, shall establish a Forest Stewardship Advisory Committee (hereinafter referred to in this Act as the "Advisory Committee") for each such State. Such Committees may be existing State forestry committees.

(B) COMPOSITION.—The Advisory Committee shall be chaired and administered by the State forester, or equivalent State official, and shall be composed, to the extent practicable, of—

(i) representatives from the Forest Service, Soil Conservation Service, Agricultural Stabilization and Conservation Service, and Extension Service;

(ii) representatives, to be appointed by the State forester, of forestry interests including, individuals that are representative of—

(I) local government;
(II) the forest products industry;
(III) environmental organizations;
(IV) the public at large;
(V) forest land owners;

(VI) land-trust organizations, if applicable in the State;

(VII) conservation organizations;

(VIII) the State fish and wildlife department; and

(VIX) the State Park Service; and

(iii) any other individuals determined appropriate by the Secretary.

(C) TERMS.—The members of the Advisory Committee appointed under subparagraph (B)(ii) shall serve 3-year terms, with the initial members serving staggered terms as determined by the State forester, and may be reappointed for consecutive terms.

(D) EXISTING COMMITTEES.—Existing State forestry committees may be used to compliment, formulate, or replace the Advisory Committees to avoid duplication of efforts if such existing committees are made up of membership that is similar to that described in subparagraph (B)(ii), and if such existing committees include landowners and the general public in their memberships.

(2) DUTIES.—An Advisory Committee shall—

(A) consult with other Department of Agriculture and State committees that address State and private forestry issues;

(B) make recommendations to the Secretary concerning the assignment of priorities and the coordination of responsibilities for the implementation of this Act by the various Federal and State forest management agencies that take into consideration the mandates of each such agency;

(C) make recommendations to the State forester concerning the development of a Forest Stewardship Planning Guide under paragraph (3);

(D) make recommendations to the Secretary concerning the development of approved activities pursuant to section 4(b)(4); and

(E) make recommendations to the State forester concerning those forest lands that should be given priority for inclusion in the Forest Legacy Program.

(3) SUBCOMMITTEES.—The Advisory Committees may establish subcommittees to address different programs under this Act.

(4) FOREST STEWARDSHIP PLANNING GUIDE.—The State forester of each State, in consultation with the Advisory Committee of such State, shall develop a Forest Stewardship Planning Guide that shall—

(A) provide baseline data on the forest resources of the State;

(B) outline threats to the forest resources of the State;

(C) describe economic and environmental opportunities that are linked with the forest resources of the State;

(D) address management problems, opportunities, and objectives associated with intermingled Federal, State, and private land ownership patterns within the State; and

(E) make planning recommendations for Federal, State, and local implementation of this Act.

(5) OTHER PLANS.—Other State forest management plans may be used as the basis for or in lieu of establishing a guide for the State under paragraph (4) if such plans fully conform to the objectives of this Act.

SEC. 19. ADMINISTRATION.

(a) IN GENERAL.—The Secretary shall administer this Act in accordance with regulations that the Secretary shall develop.

(b) AFFECT OF OTHER REGULATIONS.—Regulations issued under this Act and title X of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973, to the extent not inconsistent with the provisions of this Act, shall remain in effect until revoked or amended by regulations promulgated under this subsection.

(c) GUIDELINES.—The regulations promulgated under this Act shall include guidelines for the administration of this Act at the Federal and State levels, and shall identify the measures and activities that are eligible for cost sharing under this Act.

(d) AGREEMENTS.—The Secretary may make grants, agreements, contracts, and other arrangements the Secretary determines necessary to implement this Act.

(e) SUPPLEMENTAL CONSTRUCTION.—This Act shall be construed as supplementing all other laws relating to the Department of Agriculture and shall not be construed as limiting or repealing any existing law or authority of the Secretary.

(f) EXISTING MECHANISMS.—Existing mechanisms shall be used to the extent possible to make payments and deliver services to the landowner under this Act.

SEC. 19. STATEMENT OF LIMITATION.

This Act shall not authorize the Federal Government to regulate the use of private land or to deprive owners of land of their rights to property or to income from the sale of property, unless property rights are voluntarily sold under the Forest Legacy Program, and this Act does not diminish in any way the rights and responsibilities of the States and political subdivisions of States.

FOREST AND RANGELAND RENEWABLE RESOURCES PLANNING ACT OF 1974

SEC. 1. This Act may be cited as the "Forest and Rangeland Renewable Resources Planning Act of 1974". (16 U.S.C. 1601 note)

SEC. 2. FINDINGS.—The Congress finds that—

(1) the management of the Nation's renewable resources is highly complex and the uses, demand for, and supply of the various resources are subject to change over time;

(2) the public interest is served by the Forest Service, Department of Agriculture, in cooperation with other agencies, assessing the Nation's renewable resources, and developing and preparing a national renewable resource program, which is periodically reviewed and updated;

(3) to serve the national interest, the renewable resource program must be based on a comprehensive assessment of present and anticipated uses, demand for, and supply of renewable resources from the Nation's public and private forests and range-

lands, through analysis of environmental and economic impacts, coordination of multiple use and sustained yield opportunities as provided in the Multiple-Use Sustained-Yield Act of 1960 (74 Stat. 215; 16 U.S.C. 528–531), and public participation in the development of the program;

(4) the new knowledge derived from coordinated public and private research programs will promote a sound technical and ecological base for effective management, use, and protection of the Nation's renewable resources;

(5) inasmuch as the majority of the Nation's forests and rangeland is under private, State, and local governmental management and the Nation's major capacity to produce goods and services is based on these nonfederally managed renewable resources, the Federal Government should be a catalyst to encourage and assist these owners in the efficient long-term use and improvement of these lands and their renewable resources consistent with the principles of sustained yield and multiple use;

(6) the Forest Service, by virtue of its statutory authority for management of the National Forest System, research and cooperative programs, and its role as an agency in the Department of Agriculture, has both a responsibility and an opportunity to be a leader in assuring that the Nation maintains a natural resource conservation posture that will meet the requirements of our people in perpetuity; and

(7) recycled timber product materials are as much a part of our renewable forest resources as are the trees from which they originally came, and in order to extend our timber and timber fiber resources and reduce pressures for timber production from Federal lands, the Forest Service should expand research in the use of recycled and waste timber product materials, develop techniques for the substitution of these secondary materials for primary materials, and promote and encourage the use of recycled timber product materials.

SEC. 3. RENEWABLE RESOURCE ASSESSMENT.—(a) In recognition of the vital importance of America's renewable resources of the forest, range, and other associated lands to the Nation's social and economic well-being, and of the necessity for a long term perspective in planning and undertaking related national renewable resource programs administered by the Forest Service, the Secretary of Agriculture shall prepare a Renewable Resource Assessment (hereinafter called the "Assessment"). The Assessment shall be prepared not later than December 31, 1975, and shall be updated during 1979 and each tenth year thereafter, and shall include but not be limited to—

(1) an analysis of present and anticipated uses, demand for, and supply of the renewable resources, with consideration of the international resource situation, and an emphasis of pertinent supply and demand and price relationship trends;

(2) an inventory, based on information developed by the Forest Service and other Federal agencies, of present and potential renewable resources, and an evaluation of opportunities for improving their yield of tangible and intangible goods and

services, together with estimates of investment costs and direct and indirect returns to the Federal Government;

(3) a description of Forest Service program and responsibilities in research, cooperative programs and management of the National Forest System, their interrelationships, and the relationship of these programs and responsibilities to public and private activities; [and]

(4) a discussion of important policy considerations, laws, regulations, and other factors expected to influence and affect significantly the use, ownership, and management of forest, range, and other associated lands[.]; *and*

(5) a detailed analysis of the potential effects of climate change on the condition of renewable resources on the forests and rangelands of the United States; and

(6) a detailed analysis of the rural and urban forestry opportunities to mitigate the buildup of atmospheric carbon dioxide and reduce the risk of climate change from global warning.

(b) To assure the availability of adequate data and scientific information needed for development of the Assessment, section 9 of the McSweeney-McNary Act of May 22, 1928 (45 Stat. 702, as amended, 16 U.S.C. 581h), is hereby amended to read as follows:

"The Secretary of Agriculture is hereby authorized and directed to make and keep current a comprehensive survey and analysis of the present and prospective conditions of and requirements for the renewable resources of the forest and range lands of the United States, its territories and possessions, and of the supplies of such renewable resources, including a determination of the present and potential productivity of the land, and of such other facts as may be necessary and useful in the determination of ways and means needed to balance the demand for and supply of these renewable resources, benefits and uses in meeting the needs of the people of the United States. The Secretary shall carry out the survey and analysis under such plans as he may determine to be fair and equitable, and cooperate with appropriate officials of each State, territory, or possession of the United States, and either through them or directly with private or other agencies. There is authorized to be appropriated not to exceed $20,000,000 in any fiscal year to carry out the purposes of this section."

(c) The Secretary shall report in the 1979 and subsequent Assessments on:

(1) the additional fiber potential in the National Forest System including, but not restricted to, forest mortality, growth, salvage potential, potential increased forest products sales, economic constraints, alternate markets, contract considerations, and other multiple use considerations;

(2) the potential for increased utilization of forest and wood product wastes in the National Forest System and on other lands, and of urban wood wastes and wood product recycling, including recommendations to Congress for actions which would lead to increased utilization of material now being wasted both in the forests and in manufactured products; and

(3) the milling and other wood fiber product fabrication facilities and their location in the United States, noting the public and private forested areas that supply such facilities, as-

sessing the degree of utilization into product form of harvested trees by such facilities, and setting forth the technology appropriate to the facilities to improve utilization either individually or in aggregate units of harvested trees and to reduce wasted wood fibers. The Secretary shall set forth a program to encourage the adoption by these facilities of these technologies for improving wood fiber utilization.

(d) In developing the reports required under subsection (c) of this section, the Secretary shall provide opportunity for public involvement and shall consult with other interested governmental departments and agencies.

NOTE.—The National Forest Management Act of October 22, 1976, mistakenly added another subsection (d). This mistake is preserved in this text.

(d)(1) It is the policy of the Congress that all forested lands in the National Forest System be maintained in appropriate forest cover with species of trees, degree of stocking, rate of growth, and conditions of stand designed to secure the maximum benefits of multiple use sustained yield management in accordance with land management plans. Accordingly, the Secretary is directed to identify and report to the Congress annually at the time of submission of the President's budget together with the annual report provided for under section 8(c) of this Act, beginning with submission of the President's budget for fiscal year 1978, the amount and location by forests and States and by productivity class, where practicable, of all lands in the National Forest System where objectives of land management plans indicate the need to reforest areas that have been cut-over or otherwise denuded or deforested, and all lands with stands of trees that are not growing at their best potential rate or growth. All national forest lands treated from year to year shall be examined after the first and third growing seasons and certified by the Secretary in the report provided for under this subsection as to stocking rate, growth rate in relation to potential and other pertinent measures. Any lands not certified as satisfactory shall be returned to the backlog and scheduled for prompt treatment. The level and types of treatment shall be those which secure the most effective multiple use benefits.

(2) Notwithstanding the provisions of section 9 of this Act, the Secretary shall annually for eight years following the enactment of this subsection, transmit to the Congress in the manner provided in this subsection an estimate of the sums necessary to be appropriated, in addition to the funds available from other sources, to replant and otherwise treat an acreage equal to the acreage to be cut over that year, plus a sufficient portion of the backlog of lands found to be in need of treatment to eliminate the backlog within the eight-year period. After such eight-year period, the Secretary shall transmit annually to the Congress an estimate of the sums necessary to replant and otherwise treat all lands being cut over and maintain planned timber production on all other forested lands in the National Forest System so as to prevent the development of a backlog of needed work larger than the needed work at the beginning of the fiscal year. The Secretary's estimate of sums necessary, in addition to the sums available under other authorities, for accomplishment of the reforestation and other treatment

of National Forest System lands under this section shall be provided annually for inclusion in the President's budget and shall also be transmitted to the Speaker of the House and the President of the Senate together with the annual report provided for under section 8(c) of this Act at the time of submission of the President's budget to the Congress beginning with the budget for fiscal year 1978. The sums estimated as necessary for reforestation and other treatment shall include moneys needed to secure seed, grow seedlings, prepare sites, plant trees, thin, remove deleterious growth and underbrush, build fence to exclude livestock and adverse wildlife from regeneration areas and otherwise establish and improve growing forests to secure planned production of trees and other multiple use values.

(3) Effective for the fiscal year beginning October 1, 1977, and each fiscal year thereafter, there is hereby authorized to be appropriated for the purpose of reforesting and treating lands in the National Forest System $200,000,000 annually to meet requirements of this subsection (d). All sums appropriated for the purposes of this subsection shall be available until expended.

(e) The Secretary shall submit an annual report to the Congress on the amounts, types, and uses of herbicides and pesticides used in the National Forest System, including the beneficial or adverse effects of such uses. (16 U.S.C. 1601)

SEC. 4. RENEWABLE RESOURCE PROGRAM.—In order to provide for periodic review of programs for management and administration of the National Forest System, for research, for cooperative State and private Forest Service programs, and for conduct of other Forest Service activities in relation to the findings of the Assessment, the Secretary of Agriculture, utilizing information available to the Forest Service, and other agencies within the Department of Agriculture, including data prepared pursuant to section 302 of the Rural Development Act of 1972, shall prepare and transmit to the President a recommended Renewable Resource Program (hereinafter called the "Program"). The Program transmitted to the President may include alternatives, and shall provide in appropriate detail for protection, management, and development of the National Forest System, including forest development roads and trails; for cooperative Forest Service programs; and for research. The Program shall be developed in accordance with principles set forth in the Multiple-Use Sustained-Yield Act of June 12, 1960 (74 Stat. 215; 16 U.S.C. 528–531), and the National Environmental Policy Act of 1969 (83 Stat. 852; 42 U.S.C. 4321–4347). The Program shall be prepared not later than December 31, 1975, to cover the four-year period beginning October 1, 1976, and at least each of the four fiscal decades next following such period, and shall be updated no later than during the first half of the fiscal year ending September 30, 1980, and the first half of each fifth fiscal year thereafter to cover at least each of the four fiscal decades beginning next after such updating. The Program shall include, but not be limited to—

(1) an inventory of specific needs and opportunities for both public and private program investments. The inventory shall differentiate between activities which are of a capital nature and those which are of an operational nature;

(2) specific identification of Program outputs, results anticipated, and benefits associated with investments in such a manner that the anticipated costs can be directly compared with the total related benefits and direct and indirect returns to the Federal Government;

(3) a discussion of priorities for accomplishment of inventoried Program opportunities, with specified costs, outputs, results, and benefits; and

(4) a detailed study of personnel requirements as needed to implement and monitor existing and ongoing programs; and

(5) Program recommendations which—

(A) evaluate objectives for the major Forest Service programs in order that multiple-use and sustained-yield relationships among and within the renewable resources can be determined;

(B) explain the opportunities for owners of forests and rangeland to participate in the programs to improve and enhance the condition of the land and the renewable resource products therefrom;

(C) recognize the fundamental need to protect and, where appropriate, improve the quality of soil, water, and air resources;

(D) state national goals that recognize the interrelationships between and interdependence within the renewable resources; [and]

(E) evaluate the impact of the export and import of raw logs upon domestic timber supplies and prices[.]; *and*

(F) account fully for the effects of climate change on forest and rangeland conditions, including potential effects on the geographic ranges of species, and on forest and rangeland products.

SEC. 5. NATIONAL FOREST SYSTEM RESOURCE INVENTORIES.—As a part of the Assessment, the Secretary of Agriculture shall develop and maintain on a continuing basis a comprehensive and appropriately detailed inventory of all National Forest System lands and renewable resources. This inventory shall be kept current so as to reflect changes in conditions and identify new and emerging resources and values.

SEC. 6. NATIONAL FOREST SYSTEM RESOURCE PLANNING.—(a) As a part of the Program provided for by section 3 of this Act, the Secretary of Agriculture shall develop, maintain, and, as appropriate, revise land and resource management plans for units of the National Forest System, coordinated with the land and resource management planning processes of State and local governments and other Federal agencies.

(b) In the development and maintenance of land management plans for use on units of the National Forest System, the Secretary shall use a systematic interdisciplinary approach to achieve integrated consideration of physical, biological, economic, and other sciences.

(c) The Secretary shall begin to incorporate the standards and guidelines required by this section in plans for units of the National Forest System as soon as practicable after enactment of this subsection and shall attempt to complete such incorporation for all

such units by no later than September 30, 1985. The Secretary shall report to the Congress on the progress of such incorporation in the annual report required by section 8(c) of this Act. Until such time as a unit of the National Forest System is managed under plans developed in accordance with this Act, the management of such unit may continue under existing land and resource management plans.

(d) The Secretary shall provide for public participation in the development, review, and revision of land management plans including, but not limited to, making the plans or revisions available to the public at convenient locations in the vicinity of the affected unit for a period of at least three months before final adoption, during which period the Secretary shall publicize and hold public meetings of comparable processes at locations that foster public participation in the review of such plans or revisions.

(e) In developing, maintaining, and revising plans for units of the National Forest System pursuant to this section, the Secretary shall assure that such plans—

(1) provide for multiple use and sustained yield of the products and services obtained therefrom in accordance with the Multiple-Use Sustained-Yield Act of 1960, and, in particular, include coordination of outdoor recreation, range, timber, watershed, wildlife and fish, and wilderness; and

(2) determine forest management systems, harvesting levels, and procedures in the light of all of the uses set forth in subsection (c)(1), the definition of the terms 'multiple use' and 'sustained yield' as provided in the Multiple-Use Sustained-Yield Act of 1960, and the availability of lands and their suitability for resource management *and the potential effects of climate change on the condition of forest lands, natural resources and ecosystems.*

(f) * * *

(g) * * *

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FOREST AND RANGELAND RENEWABLE RESOURCES RESEARCH ACT OF 1978

SEC. 1. This Act may be cited as the "Forest and Rangeland Renewable Resources Research Act of 1978".

PURPOSE

SEC. 2. (a) *(1)* Congress finds that scientific discoveries and technological advances must be made and applied to support the pro-

tection, management, and utilization of the Nation's renewable resources. It is the purpose of this Act to authorize the Secretary of Agriculture (hereinafter in this Act referred to as the "Secretary") to implement a comprehensive program of forest and rangeland renewable resources research and dissemination of the findings of such research.

(2) Congress further finds that the forest and rangeland renewable resources of the world are threatened by deforestation due to conversion to agriculture of lands better suited to other uses, over-grazing, over-harvesting, and other causes that pose a direct adverse threat to people, the global environment, and the world economy.

(b) This Act shall be deemed to complement the policies and direction set forth in the Forest and Rangeland Renewable Resources Planning Act of 1974.

(c) It is a purpose of this Act to authorize the Secretary to expand research activities to encompass international forestry and natural resource issues on a global scale.

RESEARCH AUTHORIZATION

SEC. 3. (a) The Secretary is authorized to conduct, support, and cooperate in investigations, experiments, tests, and other activities the Secretary deems necessary to obtain, analyze, develop, demonstrate, and disseminate scientific information about protecting, managing, and utilizing forest and rangeland renewable resources in rural, suburban, and urban areas *of the United States and such other countries as the Secretary determines appropriate.* The activities conducted, supported, or cooperated in by the Secretary under this Act shall include, but not be limited to, the [five] *six* major areas of renewable resource research identified in paragraphs (1) through [(5)] *(6)* of this subsection.

(1) Renewable resource management research shall include, as appropriate, research activities related to managing, reproducing, planting, and growing vegetation on forests and rangelands for timber, forage, water, fish and wildlife, *biodiversity, germ plasm reserves* esthetics, recreation, wilderness, energy production, activities related to energy conservation, and other purposes; determining the role of forest and rangeland management in the productive use of forests and rangelands, in diversified agriculture, and in mining, transportation, and other industries; and developing alternatives for the management of forests and rangelands that will make possible the most effective use of their multiple products and services.

(2) Renewable resource environmental research shall include, as appropriate, research activities related to understanding and managing surface and subsurface water flow, preventing and controlling erosion, and restoring damaged or disturbed soils on forest and rangeland watersheds; maintaining and improving wildlife and fish habitats; managing vegetation to reduce air and water pollution; provide amenities, and for other purposes; and understanding, predicting, and modifying weather, climatic, and other environmental conditions that affect the protection and management of forests and rangelands.

(3) Renewable resource protection research shall include, as appropriate, research activities related to protecting vegetation and other forest and rangeland resources, including threatened and endangered flora and fauna, as well as wood and wood products in storage or use, from fires, insects, diseases, noxious plants, animals, air pollutants and other agents through biological, chemical and mechanical control methods and systems; and protecting people, natural resources, and property from fires in rural areas.

(4) Renewable resource utilization research shall include, as appropriate, research activities related to harvesting, transporting, processing, marketing, distributing, and utilizing wood and other materials derived from forest and rangeland renewable resources; recycling and fully utilizing wood fiber; produeing and conserving energy; and testing forest products, including necessary fieldwork associated therewith.

(5) Renewable resource assessment research shall include, as appropriate, research activities related to developing and applying scientific knowledge and technology in support of the survey and analysis of forest and rangeland renewable resources described in subsection (b) of this section.

(6) Renewable resource response to environmental stress research shall include, as appropriate, research activities related to understanding the effects of weather, climate, and air pollution on forests and rangelands, understanding the effects of forest and rangeland management activities on weather, climate, and air pollution, and developing the scientific and technical basis of alternatives for adaptation to environmental stress and mitigation of adverse impacts that affect the management and protection of forests and rangelands.

(b) To ensure the availability of adequate data and scientific information for development of the periodic Renewable Resource Assessment provided for in section 3 of the Forest and Rangeland Renewable Resources Planning Act of 1974, the Secretary of Agriculture shall make and keep current a comprehensive survey and analysis of the present and prospective conditions of the requirements for renewable resources of the forests and rangelands of the United States and of the supplies of such renewable resources, including a determination of the present and potential productivity of the land, and of such other facts as may be necessary and useful in the determination of ways and means needed to balance the demand for and supply of these renewable resources, benefits, and uses in meeting the needs of the people of the United States. The Secretary shall conduct the survey and analysis under such plans as the Secretary may determine to be fair and equitable, and cooperate with appropriate officials of each State and, either through them or directly, with private or other entities.

(c) PROGRAM OF RESEARCH AND STUDY RELATIVE TO HEALTH AND PRODUCTIVITY OF DOMESTIC FOREST ECOSYSTEMS; ADVISORY COMMITTEE; REPORTS.—

(1) The Secretary, acting through the United States Forest Service, shall establish not later than 180 days after October 24, 1988 a 10-year program (hereinafter in this subsection referred to as the "Program") to—

(A) increase the frequency of forest inventories in matters that relate to atmospheric pollution and conduct such surveys as are necessary to monitor long-term trends in the health and productivity of domestic forest ecosystems;

(B) determine the scope of the decline in the health and productivity of domestic forest ecosystems;

(C) accelerate and expand existing research efforts (including basic forest ecosystem research) to evaluate the effects of atmospheric pollutants on forest ecosystems and their role in the decline in domestic forest health and productivity;

(D) study the relationship between atmospheric pollution and other climatological, chemical, physical, and biological factors that may affect the health and productivity of domestic forest ecosystems;

(E) develop recommendations for solving or mitigating problems related to the effects of atmospheric pollution on the health and productivity of domestic forest ecosystems;

(F) foster cooperation among Federal, State, and private researchers and encourage the exchange of scientific information on the effects of atmospheric pollutants on forest ecosystems among the United States, Canada, European nations, and other nations;

(G) support the long-term funding of research programs and related efforts to determine the causes of declines in the health and productivity of domestic forest ecosystems and the effects of atmospheric pollutants on the health and productivity of domestic forest ecosystems; and

(H) enlarge the Eastern Hardwood Cooperative by devoting additional resources to field analysis of the response of hardwood species to atmospheric pollution, and other factors that may affect the health and productivity of these ecosystems.

(2) The Secretary shall establish a committee to advise the Secretary in developing and carrying out the Program, which shall be composed of scientists with training and experience in various disciplines, including atmospheric, ecological, and biological sciences. Such scientists shall be selected from among individuals who are actively performing research for Federal or State agencies or for private industries, institutions, or organizations.

(3) The Secretary shall coordinate the Program with existing research efforts of Federal and State agencies and private industries, institutions, or organizations.

(4) The Secretary shall submit to the President and to Congress the following reports:

(A) Not less than 30 days before establishing the Program, the Secretary shall submit an initial program report—

(i) discussing existing information about declining health and productivity of forest ecosystems on public and private lands in North America and Europe;

(ii) outlining the findings and status of all current research and monitoring efforts in North America and

Europe on the causes and effects of atmospheric pollution *and other anthropogenic environmental stress* on the health and productivity of forest ecosystems;

(iii) describing the Program; and

(iv) estimating the cost of implementing the Program for each fiscal year of its duration.

(B) Not later than January 15, 1990, and January 15 of each year thereafter, during which the Program is in operation following the year in which the initial program report is submitted, the Secretary shall submit an annual report—

(i) updating information about declining health and productivity of forest ecosystems on public and private lands in North America Europe;

(ii) updating the findings and status of all current research and monitoring efforts in North America and Europe on the causes and effects of atmospheric polution on the health and productivity of forest ecosystems, including efforts conducted under the Program;

(iii) recommending additional research and monitoring efforts to be undertaken under the Program to determine the effects of atmospheric pollution on the health and productivity of domestic forest ecosystems, and

(iv) recommending methods for solving or mitigating problems stemming from the effects of atmospheric pollution on the health and productivity of domestic forest ecosystems.

(C) Not later than 10 years after the date on which the initial program report is submitted, the Secretary shall submit a final report—

(i) reviewing existing information about declining health and productivity of forest ecosystems on public and private lands in North America and Europe;

(ii) reviewing the nature and findings of all research and monitoring efforts conducted under the Program and any other relevant research and monitoring efforts related to the effects of atmospheric pollution on forest ecosystem; and

(iii) making final recommendations for solving or mitigating problems stemming from the effects of atmospheric pollution on the health and productivity of domestic forest ecosystems.

RESEARCH FACILITIES AND COOPERATION

SEC. 4. (a) In implementing this Act, the Secretary is authorized to establish and maintain a system of experiment stations, research laboratories, experimental areas, and other forest and rangeland research facilities. The Secretary is authorized, with donated or appropriated funds, to acquire by lease, donation, purchase, exchange, or otherwise, land or interests in land within the United States needed to implement this Act, to make necessary expenditures to

examine, appraise, and survey such property, and to do all things incident to perfecting title thereto in the United States.

(b) In implementing this Act, the Secretary is authorized to accept, hold, and administer gifts, donations, and bequests of money, real property, or personal property from any source not otherwise prohibited by law and to use such gifts, donations, and bequests to (1) establish or operate any forest and rangeland research facility within the United States, or (2) perform any forest and rangeland renewable resource research activity authorized by this Act. Such gifts, donations, and bequests, or the proceeds thereof, and money appropriated for these purposes shall be deposited in the Treasury in a special fund. At the request of the Secretary, the Secretary of the Treasury may invest or reinvest any money in the fund that in the opinion of the Secretary is not needed for current operations. Such investments shall be in public debt securities with maturities suitable for the needs of the fund and bearing interest at prevailing market rates. There are hereby authorized to be expended from such fund such amounts as may be specified in annual appropriation Acts, which shall remain available until expended.

(c) In implementing this Act, the Secretary may cooperate with *international,* Federal, State, and other governmental agencies, with public or private agencies, institutions, universities, and organizations, and with businesses and individuals in the United States and in other countries. The Secretary may receive money and other contributions from cooperators under such conditions as the Secretary may prescribe. Any money contributions received under this subsection shall be credited to the applicable appropriation or fund to be used for the same purposes and shall remain available until expended as the Secretary may direct for use in conducting research activities authorized by this Act and in making refunds to contributors.

(d) The paragraph headed "Forest research:" under the center heading "Forest Service" and the center subheading "Salaries and Expenses" of title I of the Department of Agriculture Appropriation Act, 1952 (65 Stat. 233; 16 U.S.C. 5812–1), is amended by inserting a period immediately after the figure "$5,108,603" and by striking all that follows in that paragraph.

COMPETITIVE RESEARCH GRANTS

SEC. 5. In addition to any grants made under other laws, the Secretary is authorized to make competitive grants that will further research activities authorized by this Act of Federal, State, and other governmental agencies, public or private agencies, institutions, universities, and o ganizations, and businesses and individuals in the United States. In making these grants, the Secretary shall emphasize basic and applied research activities that are important to achieving the purposes of this Act, and shall obtain, through review by qualified scientists and other methods, participation in research activities by scientists throughout the United States who have expertise in matters related to forest and rangeland renewable resources. Grants under this section shall be made at the discretion of the Secretary under whatever conditions the

Secretary may prescribe, after publicly soliciting research proposals, allowing sufficient time for submission of the proposals, and considering qualitative, quantitative, financial, administrative, and other factors that the Secretary deems important in judging, comparing, and accepting the proposals. The Secretary may reject any or all proposals received under this section if the Secretary determines that it is in the public interest to do so.

GENERAL RESEARCH PROVISIONS

SEC. 6. (a) The Secretary may make funds available to cooperators and grantees under this Act without regard to the provisions of section 3648 of the Revised Statutes (31 U.S.C. 529), which prohibits advances of public money.

(b) To avoid duplication, the Secretary shall coordinate cooperative aid and grants under this Act with cooperative aid and grants the Secretary makes under any other authority.

(c) The Secretary shall use the authorities and means available to the Secretary to disseminate the knowledge and technology developed from research activities conducted under or supported by this Act. In meeting this responsibility, the Secretary shall cooperate, as the Secretary deems appropriate, with the entities identified in subsection (d)(3) of this section and with others.

(d) In implementing this Act, the Secretary, as the Secretary deems appropriate and practical, shall—

(1) use, and encourage cooperators and grantees to use, the best available scientific skills from a variety of disciplines within and outside the fields of agriculture and forestry;

(2) seek, and encourage cooperators and grantees to seek, a proper mixture of short-term and long-term research and a proper mixture of basic and applied research;

(3) avoid unnecessary duplication and coordinate activities under this section among agencies of the Department of Agriculture and with other affected Federal departments and agencies, State agricultural experiment stations, State extension services, State foresters or equivalent State officials, forestry schools, and private research organizations; and

(4) encourage the development, employment, retention, and exchange of qualified scientists and other specialists through postgraduate, postdoctoral, and other training, national and international exchange of scientists, and other incentives and programs to improve the quality of forests and rangeland renewable resources research.

(e) This Act shall be construed as supplementing all other laws relating to the Department of Agriculture and shall not be construed as limiting or repealing any existing law or authority of the Secretary except as specifically cited in this Act.

(f) For the purpose of this Act, the terms "United States" and "State" shall include each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the territories and possessions of the United States.

(g) In conducting activities authorized by this Act outside the United States, the Secretary shall coordinate with other Federal officials, departments, agencies, or international organizations, as the President may direct.

RESEARCH APPROPRIATIONS AUTHORIZATION

SEC. 7. There are hereby authorized to be appropriate annually such sums as may be needed to implement this Act. Funds appropriated under this Act shall remain available until expended.

REPEAL OF MC SWEENEY-MC NARY ACT; REGULATIONS AND COORDINATION; APPROPRIATIONS

SEC. 8. (a) The Act of May 22, 1928, known as the McSweeney-McNary Act (45 Stat. 699-702, as amended; 16 U.S.C. 581, 581a, 581b-581i), is hereby repealed.

(b) Contracts and cooperative and other agreements under the McSweeney-McNary Act shall remain in effect until revoked or amended by their own terms or under other provisions of law.

(c) The Secretary is authorized to issue such rules and regulations as the Secretary deems necessary to implement the provisions of this Act and to coordinate this Act with title XIV of the Food and Agriculture Act of 1977.

(d) Funds appropriated under the authority of the McSweeney-McNary Act shall be available for expenditure for the programs authorized under this Act.

SEC. 9. FORESTRY STUDENT GRANT PROGRAM.

(a) ESTABLISHMENT.—The Secretary of Agriculture shall establish a program, to be known as the "Forestry Student Grant Program" (hereinafter referred to in this section as the "Program"), to provide assistance to expand the professional education of forestry, natural resources, and environmental scientists.

(b) STUDENT GRANTS.—Under the Program the Secretary of Agriculture shall provide assistance for the establishment of a competitive grant fellowship program to assist graduate, and undergraduate minority and female, students attending institutions having graduate programs in forestry, natural resources, and environment.

(c) PRIORITY.—In providing assistance to a student under subsection (b), the Secretary of Agriculture shall ensure that priority is given to those students concentrating in studies concerning—

(1) biology and forest organisms;

(2) ecosystem function and management;

(3) human-forest interaction;

(4) international trade, competition, and cooperation; and

(5) wood as a raw material.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section

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RENEWABLE RESOURCES EXTENSION ACT OF 1978

SEC. 1. This Act may be cited as the "Renewable Resources Extension Act of 1978".

FINDINGS

SEC. 2. Congress finds that—

(1) the extension program of the Department of Agriculture and the extension activities of each State provide useful and productive educational programs for private forest and range landowners and processors and consumptive and nonconsumptive users of forest and rangeland renewable resources, and these educational programs complement research and assistance programs conducted by the Department of Agriculture;

(2) to meet national goals, it is essential that all forest and rangeland renewable resources (hereinafter in this Act referred to as "renewable resources"), including fish and wildlife, forage, outdoor recreational opportunities, timber, and water, be fully considered in designing educational programs for landowners, processors, and users;

(3) more efficient utilization and marketing of renewable resources extend available supplies of such resources, provide products to consumers at prices less than they would otherwise be, and promote reasonable returns on the investments of landowners, processors, and users;

(4) trees and forests in urban areas improve the esthetic quality, reduce noise, filter impurities from the air and add oxgen to its, save energy by moderating temperature extremes, control wind and water erosion, and provide habitat for wildlife; and

(5) trees and shrubs used as shelterbelts protect farm lands from wind and water erosion, promote moisture accumulation in the soil, and provide habitat for wildlife. (16 U.S.C. 1671)

TYPES OF PROGRAMS; ELIGIBLE COLLEGES AND UNIVERSITIES

SEC. 3. (a) The Secretary of Agriculture (hereinafter in this Act referred to as the "Secretary"), under conditions the Secretary may prescribed and in cooperation with the State directors of cooperative extension service programs and eligible colleges and universities, shall—

(1) provide educational programs that enable individuals to recognize, analyze, and resolve problems dealing with renewable resources, including forest- and range-based outdoor recreation opportunities, trees, and forest in urban areas, and trees and shrubs in shelterbelts.

(2) use educational programs to disseminate the results of research on renewable resources;

(3) conduct educational programs that transfer the best available technology to those involved in the management and protection of forests and rangelands and the processing and use of their associated renewable resources;

(4) develop and implement educational programs that give special attention to the educational needs of small, private non-industrial forest landowners;

(5) develop and implement educational programs in range and fish and wildlife management;

(6) assist in providing continuing education programs for professionally trained individuals in fish and wildlife, forest, range, and watershed management and related fields;

(7) help forest and range landowners in securing technical and financial assistance to bring appropriate expertise to bear on their problems; [and]

(8) help identify areas of needed research regarding renewable resource[.] ; *and*

(9) conduct a comprehensive natural resource and environmental education program for landowners and managers, public officials, and the public, with particular emphasis on youth.

(b) As used in this Act, the term "eligible colleges and universities" means colleges and universities eligible to be supported and maintained, in whole or in part, with funds made available under the provisions of the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307, 308), and the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326, 328), including Tuskegee Institute, and colleges and universities eligible for assistance under the Act of October 10, 1962 (76 Stat. 806–807, as amended; 16 U.S.C. 582a, 582a–1—582a–7).

(c) In implementing this section, all appropriate educational methods may be used, including, but not limited to, meetings, short courses, workshops, tours, demonstrations, publications, news releases, and radio and television programs.

STATE RENEWABLE RESOURCES EXTENSION PROGRAMS

SEC. 4. (a) The State director of cooperative extension programs (hereinafter in this Act referred to as the "State director") and the administrative heads of extension for eligible colleges and universities in each State shall jointly develop, by mutual agreement, a single comprehensive and coordinated renewable resources extension program in which the role of each eligible college and university is well-defined. In meeting this responsibility, the State director and the administrative heads of extension for eligible colleges and universities shall consult and seek agreement with the administrative technical representatives and the forestry representatives provided for by the Secretary in implementation of the Act of October 10, 1962 (76 Stat. 806–807, as amended; 16 U.S.C. 582a, 582a–1—582a–7), in the State. Each State's renewable resources extension program shall be submitted to the Secretary annually. The National Agricultural Research and Extension Users Advisory Board established under section 1408 of the Food and Agriculture Act of 1977 shall review and make recommendations to the Secretary pertaining to programs conducted under this Act.

(b) The State director and the administrative heads of extension for eligible colleges and universities in each State shall encourage cooperation between extension staffs at the county and State levels, and State and Federal research organizations dealing with renewable resources, State and Federal agencies that manage forests and rangelands and their associated renewable resources, State and Federal agencies that have responsibilities associated with the processing or use of renewable resources, and other agencies or or-

ganizations the State director and administrative heads of extension deem appropriate.

(c) Each State renewable resources extension program shall be administered and coordinated by the State director, except that, in States having colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417-419, as amended; 7 U.S.C. 321-326, 328), including Tuskegee Institute, the State renewable resources extension program shall be administered by the State director and the administrative head or heads of extension for the college or colleges eligible to receive such funds.

(d) In meeting the provisions of this section, each State director and administrative heads of extension for eligible colleges and universities shall appoint and use one or more advisory committees comprised of forest and range landowners, professionally trained individuals in fish and wildlife, forest, range, and watershed management, and related fields, as appropriate, and other suitable persons.

(e) For the purposes of this Act, the term "State" means any one of the fifty States, the Commonwealth of Puerto Rico, Guam, the District of Columbia, and the Virgin Islands of the United States.

NATIONAL RENEWABLE RESOURCES EXTENSION PROGRAM

SEC. 5. (a) The Secretary shall prepare a five-year plan for implementing this Act, which is to be called the "Renewable Resources Extension Program" and shall submit such plan to Congress no later than the last day of the first half of the fiscal year ending September 30, 1980, and the last day of the first half of each fifth fiscal year thereafter. The Renewable Resources Extension Program shall provide national emphasis and direction as well as guidance to State directors and administrative heads of extension for eligible colleges and universities in the development of their respective State renewable resources extension programs, which are to be appropriate in terms of the conditions, needs, and opportunities in each State. The Renewable Resources Extension Program shall contain, but not be limited to, brief outlines of general extension programs for fish and wildlife management (for both game and nongame species), range management, timber management (including brief outlines of general extension programs for timber utilization, timber harvesting, timber marketing, wood utilization, and wood products marketing), and watershed management (giving special attention to water quality protection), as well as brief outlines of general extension programs for recognition and enhancement of forest- and range-based outdoor recreation opportunities, for planting and management of trees and forests in urban areas, and for planting and management of trees and shrubs in shelterbelts, *and give special attention to water quality protection and natural resource and environmental education for landowners and managers, public officials, and the public.*

(b) In preparing the Renewable Resources Extension Program, the Secretary shall take into account the respective capabilities of private forests and rangelands for yielding renewable resources and the relative needs for such resources identified in the periodic Renewable Resource Assessment provided for in section 3 of the

Forest and Rangeland Renewable Resources Planning Act of 1974 and the periodic appraisal of land and water resources provided for in section 5 of the Soil and Water Resources Conservation Act of 1977.

(c) To provide information that will aid Congress in its oversight responsibilities and to provide accountability in implementing this Act, the Secretary shall prepare an annual report, which shall be furnished to Congress at the time of submission of each annual fiscal budget, beginning with the annual fiscal budget for the fiscal year ending September 30, 1981. The annual report shall set forth accomplishments of the Renewable Resources Extension Program, its strengths and weaknesses, recommendations for improvement, and costs of program administration, each with respect to the preceding fiscal year.

SEC. 5A. EXPANDED PROGRAMS.

(a) IN GENERAL.—The Secretary, acting through the Extension Service and the State Cooperative Extension Services, an in consultation with State foresters, school boards, and universities, shall expand forestry and natural resources education programs conducted under this Act for private forest owners and managers, public officials, youth, and the general public, and shall include guidelines for the transfer of technology.

(b) ACTIVITIES.—

(1) IN GENERAL.—In expanding the programs conducted under this Act, the Secretary shall ensure that activities are undertaken to promote policies and practices that enhance the health, vitality, productivity, economic value, and environmental attributes of the forest lands of the United States.

(2) TYPES.—The activities referred to in paragraph (1) shall include—

(A) demonstrating and teaching landowners and forest managers the concepts of sustainable natural resource systems;

(B) conducting comprehensive environmental education programs that assist citizens to participate in environmentally positive activities such as tree planting, recycling, erosion prevention, and waste management; and

(C) educational programs and materials that will improve the capacity of schools, local governments and resource agencies to deliver forestry and natural resources information to young people, environmentally concerned citizens, and action groups.

APPROPRIATIONS AUTHORIZATION

SEC. 6. There are hereby authorized to be appropriated to implement this Act $15,000,000 for the fiscal year ending September 30, 1979, and $15,000,000 for each of the next nine fiscal years. Generally, States shall be eligible for funds appropriated under this Act according to the respective capabilities of their private forests and rangelands for yielding renewable resources and relative needs for such resources identified in the periodic Renewable Resource Assessment provided for in section 3 of the Forest and Rangeland Renewable Resources Planning Act of 1974 and the periodic appraisal

of land and water resources provided for in section 5 of the Soil and Water Resources Conservation Act of 1977.

REGULATIONS AND COORDINATION

SEC. 7. The Secretary is authorized to issue such rules and regulations as the Secretary deems necessary to implement the provisions of this Act and to coordinate this Act with title XIV of the Food and Agriculture Act of 1977.

EFFECTIVE DATES

SEC. 8. The provisions of this Act shall be effective for the period beginning October 1, 1978, and ending September 30, 1988.

FEDERAL INSECTICIDE, FUNGICIDE, AND RODENTICIDE ACT

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Federal Insecticide, Fungicide, and Rodenticide Act".

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SEC. 2. DEFINITIONS.

For purposes of this Act—

(a) ACTIVE INGREDIENT.—The term "active ingredient" means—

(1) in the case of a pesticide other than a plant regulatory, defoliant, or desiccant, an ingredient which will prevent, destroy, repel, or mitigate any pest;

(2) in the case of a plant regulatory, an ingredient which, through physiological action, will accelerate or retard the

growth or rate of maturation or otherwise alter the behavior of ornamental or crop plants or the products thereof;

(3) in the case of a defoliant, an ingredient which will cause the leaves or foliage to drop from a plant; and

(4) in the case of a desiccant, an ingredient which will artificially accelerate the drying of plant tissue.

(b) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Environmental Protection Agency.

(c) ADULTERATED.—The term "adulterated" applies to any pesticide if—

(1) its strength or purity falls below the professed standard of quality as expressed on its labeling under which it is sold;

(2) any substance has been substituted wholly or in part for the pesticide; or

(3) any valuable constituent of the pesticide has been wholly or in part abstracted.

(d) ANIMAL.—The term "animal" means all vertebrate and invertebrate species, including but not limited to man and other mammals, birds, fish, and shellfish.

(e) CERTIFIED APPLICATOR, ETC.—

(1) CERTIFIED APPLICATOR.—The term "certified applicator" means any individual who is certified under section 4 as authorized to use or supervise the use of any pesticide which is classified for restricted use. Any applicator who holds or applies registered pesticides, or use dilutions of registered pesticides consistent with section 2(ee) of this Act, only to provide a service of controlling pests without delivering any unapplied pesticide to any person so served is not deemed to be a seller or distributor or pesticides under this Act.

(2) PRIVATE APPLICATOR.—The term "private applicator" means a certified applicator who uses or supervises the use of any pesticide which is classified for restricted use for purposes of producing any agricultural commodity on property owned or rented by him or his employer or (if applied without compensation other than trading of personal services between producers of agricultural commodities) on the property of another person.

(3) COMMERCIAL APPLICATOR.—The term "commercial applicator" means an applicator (whether or not he is a private applicator with respect to some uses) who uses or supervises the use of any pesticide which is classified for restricted use for any purpose or on any property other than as provided by paragraph (2).

(4) UNDER THE DIRECT SUPERVISION OF A CERTIFIED APPLICATOR.—Unless otherwise prescribed by its labeling, a pesticide shall be considered to be applied under the direct supervision of a certified applicator if it is applied by a competent person acting under the instructions and control of a certified applicator who is available if and when needed, even though such certified applicator is not physically present at the time and place the pesticide is applied.

(f) DEFOLIANT.—The term "defoliant" means any substance or mixture of substances intended for causing the leaves or foliage to drop from a plant, with or without causing abscission.

(g) DESICCANT.—The term "desiccant" means any substance or mixture of substances intended for artificially accelerating the drying of plant tissue.

(h) DEVICE.—The term "device" means any instrument or contrivance (other than a firearm) which is intended for trapping, destroying, repelling, or mitigating any pest or any other form of plant or animal life (other than man and other than bacteria, virus, or other microorganism on or in living man or other living animals); but not including equipment used for the application of pesticides when sold separately therefrom.

(i) DISTRICT COURT.—The term "district court" means a United States district court, the District Court of Guam, the District Court of the Virgin Islands, and the highest court of American Somoa.

(j) ENVIRONMENT.—the term "environment" includes water, air, land, and all plants and man and other animals living therein, and the interrelationships which exist among these.

(k) FUNGUS.—The term "fungus" means any non-chlorophyll-bearing thallophyte (that is, any non-chlorophyll-bearing plant of a lower order than mosses and liverworts), as for example, rust, smut, mildew, mold, yeast, and bacteria, except those on or in living man or other animals and those on or in processed food, beverages, or pharmaceuticals.

(l) IMMINENT HAZARD.—The term "imminent hazard" means a situation which exists when the continued use of a pesticide during the time required for cancellation proceeding would be likely to result in unreasonable adverse effects on the environment or will involve unreasonable hazard to the survival of a species declared endangered by the Secretary of the Interior under Public Law 91-135.

(m) INERT INGREDIENT.—The term "inert ingredient" means an ingredient which is not active.

(n) INGREDIENT STATEMENT.—The term "ingredient statement" means a statement which contains—

(1) the name and percentage of each active ingredient, and the total percentage of all inert ingredients, in the pesticide; and

(2) if the pesticide contains arsenic in any form, a statement of the percentages of total and water soluble arsenic, calculated as elementary arsenic.

(o) INSECT.—The term "insect" means any of the numerous small invertebrate animals generally having the body more or less obviously segmented, for the most part belonging to the class insecta, comprising six-legged, usually winged forms, as for example, beetles, bugs, bees, flies, and to other allied classes of arthropods whose members are wingless and usually have more than six legs, as for example, spiders, mites, ticks, centipedes, and wood lice.

(p) LABEL AND LABELING.—

(1) LABEL.—The term "label" means the written, printed, or graphic matter on, or attached to, the pesticide or device or any of its containers or wrappers.

(2) LABELING.—The term "labeling" means all labels and all other written, printed, or graphic matter—

(A) accompanying the pesticide or device at any time; or

(B) to which reference is made on the label or in literature accompanying the pesticide or device, except to current official publications of the Environmental Protection Agency, the United States Departments of Agriculture and Interior, the Department of Health and Human Services, State experiment stations, State agricultural colleges, and other similar Federal or State institutions or agencies authorized by law to conduct research in the field of pesticides.

(q) MISBRANDED.—

(1) A pesticide is misbranded if—

(A) its labeling bears any statement, design, or graphic representation relative thereto or to its ingredients which is false or misleading in any particular;

(B) it is contained in a package or other container or wrapping which does not conform to the standards established by the Administrator pursuant to section 25(c)(3);

(C) it is an imitation of, or is offered for sale under the name of, another pesticide;

(D) its label does not bear the registration number assigned under section 7 to each establishment in which it was produced;

(E) any word, statement, or other information required by or under authority of this Act to appear on the label or labeling is not prominently placed thereon with such conspicuousness (as compared with other words, statements, designs, or graphic matter in the labeling) and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use;

(F) the labeling accompanying it does not contain directions for use which are necessary for effecting the purpose for which the product is intended and if complied with, together with any requirements imposed under section 3(d) of this Act, are adquate to protect health and the environment;

(G) the label does not contain a warning or caution statement which may be necessary and if complied with, together with any requirements imposed under section 3(d) of this Act, is adequate to protect health and the environment; **[**or**]**

(H) in the case of a pesticide not registered in accordance with section 3 of this Act and intended for export, the label does not contain, in words prominently placed thereon with such conspicuousness (as compared with other words, statements, designs, or graphic matter in the labeling) as to render it likely to be noted by the ordinary individual under customery conditions of purchase and use, the following: "Not Registered for Use in the United States of America"*; or*

(I) in the case of a pesticide intended for export from the United States, the labeling does not meet the requirements of section 17(a)(7).

(2) A pesticide is misbranded if—

(A) the label does not bear an ingredient statement on that part of the immediate container (and on the outside container or wrapper of the retail package, if there be one, through which the ingredient statement on the immediate container cannot be clearly read) which is presented or displayed under customary conditions of purchase, except that a pesticide is not misbranded under this subparagraph if—

(i) the size of form of the immediate container, or the outside container or wrapper of the retail package, makes it impracticable to place the ingredient statement on the part which is presented or displayed under customary conditions of purchase; and

(ii) the ingredient statement appears prominently on another part of the immediate container, or outside container or wrapper, permitted by the Administrator;

(B) the labeling does not contain a statement of the use classification under which the product is registered;

(C) there is not affixed to its container, and to the outside container or wrapper of the retail package, if there be one, through which the required information on the immediate container cannot be clearly read, a label bearing—

(i) the name and address of the producer, registrant, or person for whom produced;

(ii) the name, brand, or trademark under which the pesticide is sold;

(iii) the net weight or measure of the content, except that the Administrator may permit reasonable variations; and

(iv) when required by regulation of the Administrator to effectuate the purposes of this Act, the registration number assigned to the pesticide under this Act, and the use classification; and

(D) the pesticide contains any substance or substances in quantities highly toxic to man, unless the label shall bear, in addition to any other matter required by this Act—

(i) the skull and crossbones;

(ii) the word "poison" prominently in red on a background of distinctly contrasting color; and

(iii) a statement of a practical treatment (first aid or otherwise) in case of poisoning by the pesticide.

(r) NEMATODE.—The term "nematode" means invertebrate animals of the phylum nemathelminthes and class nematoda, that is, unsegmented round worms with elongated, fusiform, or saclike bodies covered with cuticle, and inhabiting soil, water, plants, or plant parts; may also be called nemas or eelworms.

(s) PERSON.—The term "person" means any individual, partnership, association, corporation, or any organized group of persons whether incorporated or not.

(t) PEST.—The term "pest" means (1) any insect, rodent, nematode, fungus, weed, or (2) any other form of terrestrial or aquatic plant or animal life or virus, bacteria, or other micro-organism (except viruses, bacteria, or other micro-organisms on or in living

man or other living animals) which the Administrator declares to be a pest under section 25(c)(1).

(u) PESTICIDE.—The term "pesticide" means (1) any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any pest, and (2) any substance or mixture of substances intended for use as a plant regulatory, defoliant, or desiccant, except that the term "pesticide" shall not include any article that is a "new animal drug" within the meaning of section 201(w) of the Federal Food, Drug and Cosmetic Act (21 U.S.C. 321(w)), that has been determined by the Secretary of Health and Human Services not to be a new animal drug by a regulation establishing conditions of use for the article, or that is an animal feed within the meaning of section 201(x) of such Act (21 U.S.C. 321(x)) bearing or containing a new animal drug.

(v) PLANT REGULATORY.—The term "plant regulatory" means any substance or mixture of substances intended, through physiological action, for accelerating or retarding the growth or rate of maturation, or for otherwise altering the behavior of plants or the produce thereof, but shall not include substances to the extent that they are intended as plant nutrients, trace elements, nutritional chemicals, plant inoculants, and soil amendments. Also the term "plant regulator" shall not be required to include any of such of those nutrient mixtures or soil amendments as are commonly known as vitamin-hormone horticultural product, intended for improvements, maintenance, survival, health, and propagation of plants, and are not for pest destruction and are nontoxic, nonpoisonous in the undiluted packaged concentration.

(w) PRODUCER AND PRODUCE.—The term "producer" means the person who manufacturers, prepares, compounds, propagates, or processes any pesticide or device or active ingredient used in producing a pesticide. The term "produce" means to manufacture, prepare, compound, propagate, or process any pesticide or device or active ingredient used in producing a pesticide. The dilution by individuals of formulated pesticides for their own use and according to the directions on registered labels shall not of itself result in such individuals being included in the definition of "producer" for the purposes of this Act.

(x) PROTECT HEALTH AND THE ENVIRONMENT.—The terms "protect health and the environment" and "protection of health and the environment" mean protection against any unreasonable adverse effects on the environment.

(y) REGISTRANT.—The term "registrant" means a person who has registered any pesticide pursuant to the provisions of this Act.

(z) REGISTRATION.—The term "registration" includes reregistration.

(aa) STATE.—The term "State" means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Trust Territory of the Pacific Islands, and American Samoa.

(bb) UNREASONABLE ADVERSE EFFECTS ON THE ENVIRONMENT.—The term "unreasonable adverse effects on the environment" means any unreasonable risk to man or the environment, taking into account the economic, social, and environmental costs and benefits of the use of any pesticide.

(cc) WEED.—The term "weed" means any plant which grows where not wanted.

(dd) ESTABLISHMENT.—The term "establishment" means any place where a pesticide or device or active ingredient used in producing a pesticide is produced, or held, for distribution or sale.

(ee) TO USE ANY REGISTERED PESTICIDE IN A MANNER INCONSISTENT WITH ITS LABELING.—The term "to use any registered pesticide in a manner inconsistent with its labeling" means to use any registered pesticide in a manner not permitted by the labeling, except that the term shall not include (1) applying a pesticide at any dosage, concentration, or frequency less than that specified on the labeling [unless the labeling specifically prohibits deviation from the specified dosage, concentration, or frequency], (2) applying a pesticide against any target pest not specified on the labeling if the application is to the crop, animal, or site specified on the labeling, unless the Administrator has required that the labeling specifically state that the pesticide may be used only for the pests specified on the labeling after the Administrator has determined that the use of the pesticide against other pests would cause an unreasonable adverse effect on the environment, (3) employing any method of application not prohibited by the labeling unless the labeling specifically states that the product may be applied only by the methods specified on the labeling, (4) mixing a pesticide or pesticides with a fertilizer when such mixture is not prohibited by the labeling, (5) any use of a pesticide in conformance with section 5, 18, or 24 of this Act, or (6) any use of a pesticide in a manner that the Administrator determies to be inconsistent with the purposes of this Act. After March 31, 1979, the term shall not include the use of a pesticide for agricultural or forestry purposes at a dilution less than label dosage unless before or after that date the Administrator issues a regulation or advisory opinion consistent with the study provided for in section 27(b) of the Federal Pesticide Act of 1978, which regulation or advisory opinion specifically requires the use of definite amounts of dilution.

(ff) OUTSTANDING DATA REQUIREMENT.—

(1) IN GENERAL.—The term "outstanding data requirement" means a requirement for any study, information, or data that is necessary to make a determination under section 3(c)(5) and which study, information, or data—

(A) has not been submitted to the Administrator; or

(B) if submitted to the Administrator, the Administrator has determined must be resubmitted because it is not valid, complete, or adequate to make a determination under section 3(c)(5) and the regulations and guidelines issued under such section.

(2) FACTORS.—In making a determination under paragraph (1)(B) respecting a study, the Administrator shall examine, at a minimum, relevant protocols, documentation of the conduct and analysis of the study, and the results of the study to determine whether the study and the results of the study fulfill the data requirement for which the study was submitted to the Administrator.

(gg) TO DISTRIBUTE OR SELL.—The term "to distribute or sell" means to distribute, sell, offer for sale, hold for distribution, hold

for sale, hold for shipment, ship, deliver for shipment, release for shipment, or receive and (having so received) deliver or offer to deliver. The term does not include the holding or application of registered pesticides or use dilutions thereof by any applicator who provides a service of controlling pests without delivering any unapplied pesticide to any person so served.

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SEC. 7. REGISTRATION OF ESTABLISHMENTS.

[(a) REQUIREMENT.—No person shall produce any pesticide subject to this Act or active ingredient used in producing a pesticide subject to this Act in any State unless the establishment in which it is produced is registered with the Administrator. The application for registration of any establishment shall include the name and address of the establishment and of the producer who operates such establishment.

[(b) REGISTRATION.—Whenever the Administrator receives an application under subsection (a), he shall register the establishment and assign it an establishment number.

[(c) INFORMATION REQUIRED.—

[(1) Any producer operating an establishment registered under this section shall inform the Administrator within 30 days after it is registered of the types and amounts of pesticides and, if applicable, active ingredients used in producing pesticides—

[(A) which he is currently producing;

[(B) which he has produced during the past year; and

[(C) which he has sold or distributed during the past year.

The information required by this paragraph shall be kept current and submitted to the Administrator annually as required under such regulations as the Administrator may prescribe.

[(2) Any such producer shall, upon the request of the Administrator for the purpose of issuing a stop sale order pursuant to section 13, inform him of the name and address of any recipient of any pesticide produced in any registered establishment which he operates.

[(d) CONFIDENTIAL RECORDS AND INFORMATION.—Any information submitted to the Administrator pursuant to subsection (c) other than the names of the pesticides or active ingredients used in producing pesticides produced, sold, or distributed at an establishment shall be considered confidential and shall be subject to the provisions of section 10.]

* * * * * * *

(1)(A) any producer operating an establishment registered under this section shall inform the Administrator within 30 days after the establishment is registered of the types and quantities of pesticides and active ingredients used in producing pesticides that the producer—

(i) is currently producing;

(ii) has produced in the past 365-day period; and

(iii) has sold or distributed during the past 365-day period.

(B) Any producer operating and establishment registered under this section shall inform the Administrator within 30 days after the establishment is registered of—

(i) the types and quantities of pesticides, and active ingredients used in producing pesticides, for export to a foreign country; and

(ii) the date of export and quantity of pesticides and active ingredients exported to each foreign country to which the producer has exported during the past 365-day period. The information required by this paragraph shall be kept current and submitted to the Administrator annually as required under such regulations as the Administrator may prescribe.

* * * * * * *

SEC. 10. PROTECTION OF TRADE SECRETS AND OTHER INFORMATION.

(a) IN GENERAL.—In submitting data required by this Act, the applicant may (1) clearly mark any portions thereof which in his opinion are trade secrets or commercial or financial information and (2) submit such marked material separately from other material required to be submitted under this Act.

(b) DISCLOSURE.—Notwithstanding any other provision of this Act and subject to the limitations in subsections (d) and (e) of this section, the Administrator shall not make public information which in his judgment contains or relates to trade secrets or commercial or financial information obtained from a person and privileged or confidential, except that, when necessary to carry out the provisions of this Act, information relating to formulas of products acquired by authorization of this Act may be revealed to any Federal agency consulted and may be revealed at a public hearing or in findings of fact issued by the Administrator.

(c) DISPUTES.—If the Administrator proposes to release for inspection information which the applicant or registrant believes to be protected from disclosure under subsection (b), he shall notify the applicant or registrant, in writing, by certified mail. The Administrator shall not thereafter make available for inspection such data until thirty days after receipt of the notice by the applicant or registrant. During this period, the applicant or registrant may institute an action in an appropriate district court for a declaratory judgment as to whether such information is subject to protection under subsection (b).

(d) LIMITATIONS.—

(1) All information concerning the objectives, methodology, results, or significance of any test or experiment performed on or with a registered or previously registered pesticide or its separate ingredients, impurities, or degradation products, and any information concerning the effects of such pesticide on any organism or the behavior of such pesticide in the environment, including, but not limited to, data on safety to fish and wildlife, humans and other mammals, plants, animals, and soil, and studies on persistence, translocation and fate in the environment, and metabolism, shall be available for disclosure to the public. The use of such data for any registration purpose shall be governed by section 3 of this Act. This paragraph does not authorize the disclosure of any information that—

(A) discloses manufacturing or quality control processes,

(B) discloses the details of any methods for testing, detecting, or measuring the quantity of any deliberately added inert ingredient of a pesticide, or

(C) discloses the identity or percentage quantity of any deliberately added inert ingredient of a pesticide,

unless the Administrator has first determined that disclosure is necessary to protect against an unreasonable risk of injury to health or the environment.

(2) Information concerning production, distribution, sale, or inventories of a pesticide that is otherwise entitled to confidential treatment under subsection (b) of this section may be publicly disclosed in connection with a public proceeding to determine whether a pesticide, or any ingredient of a pesticide, causes unreasonable adverse effects on health or the environment, if the Administrator determines that such disclosure is necessary in the public interest.

(3) If the Administrator proposes to disclose information described in clause (A), (B), or (C) of paragraph (1) or in paragraph (2) of this subsection, the Administrator shall notify by certified mail the submitter of such information of the intent to release such information. The Administrator may not release such information, without the submitter's consent, until thirty days after the submitter has been furnished such notice. Where the Administrator finds that disclosure of information described in clause (A), (B), or (C) of paragraph (1) of this subsection is necessary to avoid or lessen an imminent and substantial risk of injury to the public health, the Administrator may set such shorter period of notice (but not less than ten days) and such methods of notice as the Administrator finds appropriate. During such period the data submitter may institute an action in an appropriate district court to enjoin or limit the proposed disclosure. The court may enjoin disclosure, or limit the disclosure or the parties to whom disclosure shall be made, to the extent that—

(A) in the case of information described in clause (A), (B), or (C) of paragraph (1) of this subsection, the proposed disclosure is not required to protect against an unreasonable risk of injury to health or the environment; or

(B) in the case of information described in paragraph (2) of this subsection, the public interest in availability of the information in the public proceeding does not outweigh the interests in preserving the confidentiality of the information.

(4) Notwithstanding any other provision of this Act, the information submitted to the Administrator under sections 17(a)(6)(C), 17(a)(8)(C) and 7(c)(1)(B)(ii) shall not be entitled to confidential treatment under subsection (b).

(e) DISCLOSURE TO CONTRACTORS.—Information otherwise protected from disclosure to the public under subsection (b) of this section may be disclosed to contractors with the United States and employees of such contractors if, in the opinion of the Administrator, such disclosure is necessary for the satisfactory performance by the contractor of a contract with the United States for the performance of

work in connection with this Act and under such conditions as the Administrator may specify. The Administrator shall require as a condition to the disclosure of information under this subsection that the person receiving it take such security precautions respecting the information as the Administrator shall by regulation prescribe.

(f) PENALTY FOR DISCLOSURE BY FEDERAL EMPLOYEES.—(1) Any office or employee of the United States or former officer or employee of the United States who, by virtue of such employment or official position, has obtained possession of, or has access to, material the disclosure of which is prohibited by subsection (b) of this section, and who, knowing that disclosure of such material is prohibited by such subsection, willfully discloses the material in any manner to any person not entitled to receive it, shall be fined not more than $10,000 or imprisoned for not more than one year, or both. Section 1905 of title 18 of the United States Code shall not apply with respect to the publishing, divulging, disclosure, or making known of, or making available, information reported or otherwise obtained under this Act. Nothing in this Act shall preempt any civil remedy under State or Federal law for wrongful disclosure of trade secrets.

(2) For the purposes of this section, any contractor with the United States who is furnished information as authorized by subsection (e) of this section, or any employee of any such contractor, shall be considered to be an employee of the United States.

(g) DISCLOSURE TO FOREIGN AND MULTINATIONAL PESTICIDE PRODUCERS.—(1) The Administrator shall not knowingly disclose information submitted by an applicant or registrant under this Act to any employee or agent of any business or other entity engaged in the production, sale, or distribution of pesticides in countries other than the United States or in addition to the United States or to any other person who intends to deliver such data to such foreign or multinational business or entity unless the applicant or registrant has consented to such disclosure. The Administrator shall require an affirmation from any person who intends to inspect data that such person does not seek access to the data for purposes of delivering it or offering it for sale to any such business or entity or its agents or employees and will not purposefully deliver or negligently cause the data to be delivered to such business or entity or its agents or employees. Notwithstanding any other provision of this subsection, the Administrator may disclose information to any person in connection with a public proceeding under law or regulation, subject to restrictions on the availability of information contained elsewhere in this Act, which information is relevant to a determination by the Administrator with respect to whether a pesticide or any ingredient of a pesticide, causes unreasonable adverse effects on health or the environment.

(2) The Administrator shall maintain records of the names of persons to whom data are disclosed under this subsection and the persons or organizations they represent and shall inform the applicant or registrant of the names and affiliations of such persons.

(3) Section 1001 of title 18 of the United States Code shall apply to any affirmation made under paragraph (1) of this subsection.

SEC. 11. USE OF RESTRICTED USE PESTICIDES; APPLICATORS.

(a) CERTIFICATION PROCEDURE.—

(1) FEDERAL CERTIFICATION.—In any State for which a State plan for applicator certification has not been approved by the Administrator, the Administrator, in consultation with the Governor of such State, shall conduct a program for the certification of applicators of pesticides. Such program shall conform to the requirements imposed upon the States under the provisions of subsection (a)(2) of this section and shall not require private applicators to take any examination to establish competency in the use of pesticides. Prior to the implementation of the program, the Administrator shall publish in the Federal Register for review and comments a summary of the Federal plan for applicator certification and shall make generally available within the State copies of the plan. The Administrator shall hold public hearings at one or more locations within the State if so requested by the Governor of such State during the thirty days following publication of the Federal Register notice inviting comment on the Federal plan. The hearings shall be held within thirty days following receipt of the request from the Governor. In any State, in which the Administrator conducts a certification program, the Administrator may require any person engaging in the commercial application, sale, offering for sale, holding for sale, or distribution of any pesticide one or more uses of which have been classified for restricted use to maintain such records and submit such reports concerning the commercial application, sale, or distribution of such pesticide as the Administrator may by regulation prescribe. Subject to paragraph (2), the Administrator shall prescribe standards for the certification of applicators of pesticides. Such standards shall provide that to be certified, an individual must be determined to be competent with respect to the use and handling of pesticides, or to the use and handling of the pesticide or class of pesticides covered by such individual's certification. The certification standard for a private applicator shall, under a State plan submitted for approval, be deemed fulfilled by his completing a certification form. The Administrator shall further assure that such form contains adequate information and affirmations to carry out the intent of this Act, and may include in the form an affirmation that the private applicator has completed a training program approved by the Administrator so long as the program does not require the private applicator to take, pursuant to a requirement prescribed by the Administrator, any examination to establish competency in the use of the pesticide. The Administrator may require any pesticide dealer participating in a certification program to be licensed under a State licensing program approved by him.

(2) STATE CERTIFICATION.—If any State, at any time, desires to certify applicators of pesticides, the Governor of such State shall submit a State plan for such purpose. The Administrator shall approve the plan submitted by any State, or any modification thereof, if such plan in his judgment—

(A) designates a State agency as the agency responsible for administering the plan throughout the State;

(B) contains satisfactory assurances that such agency has or will have the legal authority and qualified personnel necessary to carry out the plan;

(C) gives satisfactory assurances that the State will devote adequate funds to the administration of the plan;

(D) provides that the State agency will make such reports to the Administrator in such form and containing such information as the Administrator may from time to time require; and

(E) contains satisfactory assurances that State standards for the certification of applicators of pesticides conform with those standards prescribed by the Administrator under paragraph (1).

Any State certification program under this section shall be maintained in accordance with the State plan approved under this section.

(b) STATE PLANS.—If the Administrator rejects a plan submitted under this paragraph, he shall afford the State submitting the plan due notice and opportunity for hearing before so doing. If the administrator approves a plan submitted under this paragraph, then such State shall certify applicators of pesticides with respect to such State. Whenever the Administrator determines that a State is not administering the certification program in accordance with the plan approved under this section, he shall so notify the State and provide for a hearing at the request of the State, and, if appropriate corrective action is not taken within a reasonable time, not to exceed ninety days, the Administrator shall withdraw approval of such plan.

(c) INSTRUCTION IN INTEGRATED PEST MANAGEMENT TECHNIQUES.—Standards prescribed by the Administrator for the certification of applicators of pesticides under subsection (a), and the State plans submitted to the Administrator under subsections (a) and (b), shall include provisions for making instructional materials concerning integrated pest management techniques available to individuals at their request in accordance with the provisions of section 23(c) of this Act, but such plans may not require that any individual receive instruction concerning such techniques or be shown to be competent with respect to the use of such techniques. The Administrator and States implementing such plans shall provide that all interested individuals are notified of the availability of such instructional materials.

(d) IN GENERAL.—No regulations prescribed by the Administrator for carrying out the provisions of this Act shall require any private applicator to maintain any records or file any reports or other documents. *Notwithstanding any other provision of this section, the Secretary of Agriculture may require private applicators of pesticides to maintain records of the purchase and use of any pesticide classified for restricted use.*

(e) SEPARATE STANDARDS.—When establishing or approving standards for licensing or certification, the Administrator shall establish separate standards for commercial and private applicators.

SEC. 12. UNLAWFUL ACTS.

(a) IN GENERAL.—

(1) Except as provided by subsection (b), it shall be unlawful for any person in any State to distribute or sell to any person—

(A) any pesticide that is not registered under section 3 or whose registration has been canceled or suspended, except to the extent that distribution or sale otherwise has been authorized by the Administrator under this Act;

(B) any registered pesticide if any claims made for it as a part of its distribution or sale substantially differ from any claims made for it as part of the statement required in connection with its registration under section 3;

(C) any registered pesticide the composition of which differs at the time of its distribution or sale from its composition as described in the statement required in connection with its registration under section 3;

(D) any pesticide which has not been colored or discolored pursuant to the provisions of section 25(c)(5);

(E) any pesticide which is adulterated or misbranded; or

(F) any device which is misbranded.

(2) It shall be unlawful for any person—

(A) to detach, alter, deface, or destroy, in whole or in part, any labeling required under this Act;

(B) to refuse to—

(i) prepare, maintain, or submit any records required by or under sections 5, 7, 11, or 19;

(ii) submit any reports required by or under sections 5, 6, 7, 8, 11, and 19; or

(iii) allow any entry, inspection, copying of records, or sampling authorized by this Act;

(C) to give a guaranty or undertaking provided for in subsection (b) which is false in any particular, except that a person who receives and relies upon a guaranty authorized under subsection (b) may give a guaranty to the same effect, which guaranty shall contain, in addition to his own name and address, the name and address of the person residing in the United States from whom he received the guaranty or undertaking;

(D) to use for his own advantage or to reveal, other than to the Administrator, or officials or employees of the Environmental Protection Agency or other Federal executive agencies, or to the courts, or to physicians, pharmacists, and other qualified persons, needing such information for the performance of their duties in accordance with such directions as the Administrator may prescribe, any information acquired by authority of this Act which is confidential under this Act;

(E) who is a registrant, wholesaler, dealer, retailer, or other distributor to advertise a product registered under this Act for restricted use without giving the classification of the product assigned to it under section 3;

(F) to distribute or sell, or to make available for use, or to use, any registered pesticide classified for restricted use

for some or all purposes other than in accordance with section 3(d) and any regulations thereunder. It shall not be unlawful to sell, under regulations issued by the Administrator, a resticted use pesticide to a person who is not a certified applicator for application by a certified applicator;

(G) to use any registered pesticide in a manner inconsistent with its labeling;

(H) to use any pesticide which is under an experimental use permit contrary to the provisions of such permit;

(I) to violate any order issued under section 13;

(J) to violate any suspension order issued under section 3(c)(2)(B), 4, or 6;

(K) to violate any cancellation order issued under this Act or to fail to submit a notice in accordance with section 6(g):

(L) who is producer to violate any of the provisions of section 7;

(M) to knowingly falsify all or part of any application for registration, application for experimental use permit, any information submitted to the Administrator pursuant to section 7, any records required to be maintained pursuant to this Act, any report filed under this Act, or any information marked as confidential and submitted to the Administrator under any provision of this Act;

(N) who is a registrant, wholesaler, dealer, retailer, or other distributor to file reports required by this Act;

(O) to add any substance to, or take any substance from, any pesticide in a manner that may defeat the purpose of this Act; or

(P) to use any pesticide in tests on human beings unless such human beings(i) are full informed on the nature and purposes of the test and of any physical and mental health consequences which are reasonably foreseeable therefrom, and (ii) freely volunteer to participate in the test.

(Q) to falsify all or part of any information relating to the testing of any pesticide (or any ingredient, metabolite, or degradation product thereof), including the nature of any protocol, procedure, substance, organism, or equipment used, observation made, or conclusion or opinion formed, submitted to the Administrator, or that the person knows will be furnished to the Administrator or will become a part of any records required to be maintained by this Act;

(R) to submit to the Administrator data known to be false in support of a registration; **[**or**]**

(S) to violate any regulation issued under section 3(a) or 19; *or*

(T) to knowingly or recklessly export a pesticide or device in violation of section 17.

(b) EXEMPTIONS.—The penalties provided for a violation of paragraph (1) of subsection (a) shall not apply to—

(1) any person who establishes a guaranty signed by, and containing the name and address of, the registrant or person

residing in the United States from whom he purchased or received in good faith the pesticide in the same unbroken package, to the effect that the pesticide was lawfully registered at the time of sale and delivery to him, and that it complies with the other requirements of this Act, and in such case the guarantor shall be subject to the penalties which would otherwise attach to the person holding the guaranty under the provisions of this Act;

(2) any carrier while lawfully shipping, transporting, or delivering for shipment any pesticide or device, if such carrier upon request of any officer or employee duly designated by the Administrator shall permit such officer or employee to copy all of its records concerning such pesticide or device;

(3) any public official while engaged in the performance of his official duties;

(4) any person using or possessing any pesticide as provided by an experimental use permit in effect with respect to such pesticide and such use of possession; or

(5) any person who ships a substance or mixture of substances being put through tests in which the purpose is only to determine its value for pesticide purposes or to determine its toxicity or other properties and from which the use does not expect to receive any benefit in pest control from its use.

* * * * * * *

[SEC. 17. IMPORTS AND EXPORTS.

[(a) PESTICIDES AND DEVICES INTENDED FOR EXPORT.—Notwithstanding any other provision this Act, no pesticide or device or active ingredient used in producing a pesticide intended solely for export to any foreign country shall be deemed in violation of this Act—

[(1) when prepared or packed according to the specifications or directions of the foreign purchaser, except that producers of such pesticides and devices and active ingredients used in producing pesticides shall be subject to sections 2(p), 2(q), (1) (A), (C), (D), (E), (G), and (H), 2(q), (2) (A), (B), (C) (i) and (iii), and (D), 7, and 8 of this Act, and

[(2) in the case of any pesticide other than a pesticide registered under section 3 or sold under section 6(a)(1) of this Act, if, prior to export, the foreign purchaser has signed a statement acknowledging that the purchaser understands that such pesticide is not registered for use in the United States and cannot be sold in the United States under this Act. A copy of that statement shall be transmitted to an appropriate official of the government of the importing country.

[(b) CANCELLATION NOTICES FURNISHED TO FOREIGN GOVERNMENTS.—Whenever a registration, or a cancellation or suspension of the registration of a pesticide becomes effective, or ceases to be effective, the Administrator shall transmit through the State Department notification thereof to the governments of other countries and to appropriate international agencies. Such notification shall, upon request, include all information related to the cancellation or suspension of the registration of the pesticide and information con-

cerning other pesticides that are registered under section 3 of this Act and that could be used in lieu of such pesticide.

[(c) IMPORTATION OF PESTICIDES AND DEVICES.—The Secretary of the Treasury shall notify the Administrator of the arrival of pesticides and devices and shall deliver to the Administrator, upon his request, samples of pesticides or devices which are being imported into the United States, giving notice to the owner or consignee, who may appear before the Administrator and have the right to introduce testimony. If it appears from the examination of a sample that it is adulterated, or misbranded or otherwise violates the provisions set forth in the Act, or is otherwise injurious to health or the environment, the pesticide or device may be refused admission, and the Secretary of the Treasury shall refuse delivery to the consignee and shall cause the destruction of any pesticide or device refused delivery which shall not be exported by the consignee within 90 days from the date of notice of such refusal under such regulations as the Secretary of the Treasury may prescribe. The Secretary of the Treasury may delivery to the consignee such pesticide or device pending examination and decision in the matter on execution of bond for the amount of the full invoice value of such pesticide or device, together with the duty thereon, and on refusal to return such pesticide or device for any cause to the custody of the Secretary of the Treasury, when demanded, for the purpose of excluding them from the country, or for any other purpose, said consignee shall forfeit the full amount of said bond. All charges for storage, cartage, and labor on pesticides or devices which are refused admission or delivery shall be paid by the owner or consignee, and in default of such payment shall constitute a lien against any future importation made by such owner or consignee.

[(d) COOPERATION IN INTERNATIONAL EFFORTS.—The Administrator shall, in cooperation with the Department of State and any other appropriate Federal agency, participate and cooperate in any international efforts to develop improved pesticide research and regulations.

[(e) REGULATIONS.—The Secretary of the Treasury, in consultation with the Administrator, shall prescribe regulations for the enforcement of subsection (c) of this section.]

SEC. 17. IMPORTS AND EXPORTS.

(a) PESTICIDES OR DEVICES INTENDED FOR EXPORTS.—

(1) IN GENERAL.—

(A) Notwithstanding any other provision of the Act, no pesticide or device may be exported to a foreign country unless such pesticide or device is prepared and packaged according to the specifications of the foreign purchaser and the legal requirements of the country of use and complies with section 2(q).

(B) The producers and exporters of any such pesticide or device shall be subject to the requirements of paragraph (1), (2), (6), (7), and (9) of this subsection and sections 2(q), 7, 8 and 19(a) and (e).

(2) EXPORT OF PESTICIDES.—

(A) No person shall export to any country of use a pesticide—

(i) unless—

-(I) that pesticide is registered with the Administrator under section 3; or

(II) the active ingredients in that pesticide are the subject of a food tolerance established under section 408 or 409 of the Food, Drug, and Cosmetic Act; and

(ii) if that pesticide is for use in connection with agricultural production related to food use unless—

(I) that pesticide is registered with the Administrator for use in connection with agricultural production related to food under section 3; or

(II) the active ingredients of that pesticide are the subject of a food tolerance established under section 408 or 409 of the Food, Drug, and Cosmetic Act.

A tolerance or exemption whose revocation or suspension has been delayed pursuant to subparagraph (C) or (D) of section 408(p)(1) of the Federal Food, Drug, and Cosmetic Act shall have no effect for purposes of this section.

(B) A pesticide shall be considered to be for use in conjunction with agricultural production related to food use under the requirements of subparagraph (A)(ii) if in the country of use—

(i) on the basis of the advertising, promotion, packaging, distribution, labeling of such pesticide, or other circumstance, it is probable that such pesticide may be used in connection with agricultural production related to food use;

(ii) patterns of pesticide use in the country indicate that it is probable that such pesticide may be used in connection with agricultural production related to food use;

(iii) such pesticide is in use in connection with agricultural production related to food use; or

(iv) the quantity of such pesticide that an exporter intends to export to a country of use exceeds the quantity, on the basis of expectations of use, that could be used in the country of use for use other than in connection with agricultural production related to food use.

(3) TEMPORARY WAIVER FOR THE CONTROL OF COMMUNICABLE DISEASE.—On the request of a country of use, the Administrator may issue a temporary waiver from any requirement under paragraph (2) or (6) to permit the export to a country of use of a pesticide that does not otherwise meet the requirements for export under paragraph (2) or (6) to prevent the imminent spread or to arrest the spread of a communicable disease of humans that poses a serious threat to public health in such country of use, if—

(A) based on the certification of the country of use and information readily available to the Administrator, the Administrator makes a determination that—

(i) the pesticide is to be used on a temporary basis for a period of time that shall not exceed 180 days;

(ii) there is no practical chemical or nonchemical alternative to using the pesticide to prevent the imminent spread or arrest the spread of the communicable disease; and

(iii) the pesticide will not be used as part of a routine continuing pest control program;

(B) no quantity of the pesticide shall be exported in excess of a quantity that the Administrator, in consultation with the country of use, determines to be necessary to accomplish the purpose for the use of such pesticide under this paragraph;

(C) the exporter agrees to assist in providing for the disposition or removal from the country of use of any unused or excess quantities of the pesticide at the time the purpose for the use of such pesticide under this paragraph has been accomplished, and

(D) the Administrator publishes a notice in the Federal Register prior to the exportation of such pesticide, or as soon as thereafter as practicable, that includes—

(i) the factual basis for any determination that the Administrator makes under this paragraph;

(ii) the identity of the exporter and the country of use;

(iii) the quantity and identity of the pesticide (including a complete chemical description of the active ingredient of such pesticide that includes any commonly accepted chemical (generic), or abbreviated chemical name of such active ingredient) that the Administrator authorizes for export under this paragraph; and

(iv) the estimated dates of export for the pesticide.

(4) TEMPORARY WAIVER IN CIRCUMSTANCES OF FAMINE.—On the request of the country of use, the Administrator may issue a temporary waiver from any requirement under paragraph (2) or (6) to permit the export of a pesticide that does not otherwise meet the requirements for export under paragraph (2) or (6) to stop the spread or to prevent the imminent spread of a pest that is destroying or will destroy sufficient quantities of the food supply of the country of use so as to result in widespread famine or human starvation in the country of use in a country of use if—

(A) based on the certification of the country of use and information readily available to the Administrator, the Administrator makes a determination that—

(i) the pesticide is to be used on a temporary basis for a period of not to exceed 180 days;

(ii) the pesticide will only be used to stop the spread or to prevent the imminent spread of a pest that is destroying or will destroy sufficient quantities of the food supply of the country of use as to result in widespread famine or human starvation in the country of use;

(iii) there is no practical chemical or nonchemical alternative to the use of the pesticide to stop the spread or to prevent the imminent spread of the pest in the country of use in time to prevent the destruction of

such quantities of the food supply of the country of use as to result in human starvation in the country of use;

(iv) the pesticide will not be used as part of a routine continuing pest control program; and

(v) based on information provided by the country of use, food supplies stored in the country of use or that are available for purchase by the country of use or that are likely to be made otherwise available to the country of use are not likely to be adequate to prevent widespread famine or human starvation caused by the pest in the country of use;

(B) no quantity of the pesticide shall be exported in excess of a quantity that the Administrator, in consultation with the country of use, determines to be necessary to accomplish the purpose for the use of such pesticide under this paragraph;

(C) the exporter agrees to assist in providing for the disposition or removal from the country of use of any unused or excess quantities of the pesticide at the time the purpose for the use of such pesticide under this paragraph has been accomplished; and

(D) the Administrator publishes a notice in the Federal Register prior to the exportation of such pesticide, or as soon thereafter as practicable, that includes—

(i) the factual basis for any determination that the Administrator makes under this paragraph;

(ii) the identity of the exporter and the country of use;

(iii) the quantity and identity of the pesticide (including a complete ~~chemical~~ description of the active ingredient of such pesticide that includes any commonly accepted chemical (generic), or abbreviated chemical name of such active ingredient) that the Administrator authorizes for export under this paragraph; and

(iv) the estimated dates of export for the pesticide.

(5) STATUTORY CONSTRUCTION.—Except as specifically provided in this section, paragraphs (1) and (2) shall not be construed so as to allow the Administrator to exempt any pesticide or device from any requirement under this section except in the case of a domestic use or sale of a pesticide that is exempted from the provisions of this Act pursuant to section 25(b).

(6) ADDITIONAL REQUIREMENTS FOR THE EXPORT OF CERTAIN PESTICIDES.—

(A) This paragraph applies to a pesticide—

(i) for which a restricted use classification for reasons of human health risk is effective under section 3;

(ii) that is subject to an order of suspension under section 6(c);

(iii) that is the subject of a cancellation proceeding under section 6(b);

(iv) that is the subject of a conditional registration under section 3(c)(7)(C);

(v) that is the subject of an interim administrative review described in section 3(c)(8) in which the Administrator proposes to cancel the product;

(vi) that contains active ingredient that is included on the World Health Organization list of Class 1A, "extremely hazardous", or Class 1B, "highly hazardous" pesticides; or

(vii) that contains an active ingredient that was the subject of a registration under section 3 that was canceled, or was amended to delete a registered use because of human health risk associated with the registered use.

(B) No pesticide described in subparagraph (A) shall be exported if—

(i) the exporter has not provided the notice required in subparagraph (C);

(ii) the exporter has received from the Administrator, or the Administrator has published in the Federal Register, a written notice that the country of use has refused to consent to the importation of such pesticide pursuant to paragraph (7)(B); or

(iii) to the extent not in conflict with requirements of the country of use, the pesticide is not packaged, and stored in conformity with standards for composition and quality of the Food and Agriculture Organization of the United Nations.

(C) No pesticide described in subparagraph (A) may be exported unless, prior to shipment of such pesticide, the exporter provides to the Administrator—

(i) the common or trade names by which such pesticide is known in the country of use and a complete chemical description of the active ingredients of such pesticide, including any commonly accepted, chemical (generic), or abbreviated chemical name known in the country of use for such active ingredients;

(ii) the name and the address of the producer and exporter;

(iii) the name and address of the foreign purchaser;

(iv) the intended date and quantity of shipment of such pesticide;

(v) the manner of transport of such shipment;

(vi) the country of use that is the ultimate destination of such shipment; and

(vii) the raw agricultural commodity, as defined in section 201(r) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(r)), or processed food, if any, on which such pesticide is intended or likely to be used.

(D) For each pesticide identified in a notice submitted under subparagraph (C), if such notice is the first such notice that identifies a country of use for that pesticide that is received by the Administrator in the 12-month period immediately preceding the date of the receipt of such notice, the Administrator shall, within 60 days of the receipt of such notice submitted under subparagraph (C),

notify the appropriate official in the appropriate regulatory department or agency designated by the country of use and the office responsible for the International Register of Potentially Toxic Chemicals of the intended export. Such notice by the Administrator shall contain a description in English, and in an official language of the country of use, of—

(i) the information required by subparagraph (C);

(ii) if the pesticide is subject to a conditional registration under section (3)(c)(7)(C), an interim administrative review or suspension or cancellation proceeding, or is classified for restricted use under this Act, a statement explaining the reasons for such status;

(iii) alternatives known to the Administrator, including nonchemical alternatives, to the use of such pesticide; and

(iv) the name and address of the office of the Environmental Protection Agency that, on request of an appropriate official of the country of use, will provide additional information concerning such pesticide and alternatives to the use of such pesticide.

(7) RESTRICTION ON THE EXPORT OF CERTAIN PESTICIDES.—

(A) The Administrator shall publish a notice in the Federal Register disclosing that a country of use has informed the Administrator, or an international agency of which the United States is a member, that such country does not wish to import a pesticide, not later than 10 days of the receipt by the Administrator of such information.

(B) The Administrator shall publish a notice under subparagraph (A) concerning a specific country of use only if—

(i) the country of use has indicated that it does not wish to import the pesticide pursuant to an international system of pesticide export and import controls—

(I) adopted by an international agency, if the United States is a member of the international agency and has consented to the adoption of the system; or

(II) reached through an international agreement to which the United States is a signatory; or

(ii) on the basis of a notice issued in accordance with paragraph (6)(D), the country of use does not consent, or has given conditional consent, to the importation of a pesticide.

(C) Any refusal of consent by a country of use shall be considered as a continuing refusal that shall be effective until the country of use modified or withdraws such refusal.

(D) A refusal by a country of use to consent to the importation of a pesticide shall not be effective unless the country of use has certified that it—

(i) is not producing and will not produce the pesticide or a similar product with the same active ingredient for use in the country of use; and

(ii) is not importing and will not consent to the importation of the pesticide or a similar product with the same active ingredient from any other country.

(E) If the Administrator makes a determination that the country of use is not in compliance with the certification provided under subparagraph (D), the Administrator shall withdraw the notice published under subparagraph (A).

(8) LABELS.—The label of any pesticide intended for export from the United States shall—

(A) be writen in an official language of the country of use; and

(B) to the extent not in conflict with requirements of the country of use, contain any health, safety, environmental and other related information required to be included under section 3 in the labeling for such pesticide for use in the United States.

(9) SPECIAL EXEMPTION FOR THE EXPORT OF RESEARCH OR EXPERIMENTAL PESTICIDES.—

(A) Notwithstanding paragraphs (2) and (6), an exporter may export a pesticide for research or experimental use for use in a country of use if such pesticide for research or experimental use—

(i) is not and has not been the subject of any registration under section 3; and

(ii) is to be used only for research or experimental purposes.

(B) Nothing in this paragraph shall be interpreted so as to authorize the export of a pesticide for research or experimental use without the written consent of the government of the country of use. Such consent shall be obtained in the manner prescribed under subparagraph (C).

(C)(i) In order to obtain the written consent of the government of country of use, the exporter shall submit a written request for consent to export the pesticide for research or experimental use to the Administrator and to the government of the country of use.

(ii) The Administrator shall transmit to the appropriate official in the appropriate agency responsible for the regulation of pesticides in the country of use—

(I) such written request;

(II) a summary of all available information relating to the actual and potential adverse effects of the pesticide for research or experimental use on human health and the environment prepared by the Administrator; and

(III) a complete statement of the factual basis for the issuance by the Administrator of an experimental use permit under section 5(a) for such pesticide if such permit has been issued for such pesticide.

(iii) Not later than 60 days after the receipt of a request under clause (ii)(I), the Administrator shall certify whether such request meets the requirements of subparagraph (D).

(iv) On receipt of a response to a request for consent to export the pesticide for research or experimental use, the

Administrator shall publish in the Federal Register a notice of the receipt of such response. Such notice shall identify—

(I) the pesticide for research or experimental use that is the subject of such request;

(II) the producer and exporter of such pesticide;

(III) the country of use to which the request for permission to export of such pesticide was transmitted; and

(IV) the response of the country of use.

(v) The written request transmitted by the Administrator to the country of use shall be subject to public review.

(D) A written request for consent that is submitted to the Administrator for transmittal to the country of use, and submitted to the country of use, shall identify the pesticide for experimental use and the active ingredients of such pesticide and include—

(i) the name of the exporter;

(ii) the trade names and chemical names of the active ingredients of the pesticide (including any commonly accepted, generic, or abbreviated chemical names);

(iii) a complete description of the proposed experimental activity, including the formulation of the pesticide, the application rates and methods, the pests that are sought to be controlled, the locations where the experimental use will be made, the size of the areas where the experimental pesticide will be applied, the dates on which the experiment will be conducted, and the manner in which experimental data will be collected and recorded;

(iv) the name of the persons who shall be responsible for the design and execution of the experiment and for the evaluation of the results of the experiment, along with the qualifications of these persons;

(v) the name, address and qualifications of the person who will be the representative of the exporter in the country of use and, if different, the name address and qualifications of the person in the country of use who will supervise the experiment;

(vi) the location and manner of storage of the pesticide in the country of use;

(vii) the protective techniques, devices and measures that will be provided to protect the health and safety of workers who will apply the pesticide and the health and safety of persons who live or work near the location of the experiment;

(viii) a complete description of the results of all information known to the exporter of the toxic effects of the pesticide, including its effects on the pest that is to be controlled, its effects on plants and animals other than the pest that is likely to be controlled (with special reference to plant and animal species at and near the location of the experiment, including any crops or

livestock to which the pesticide may be applied), and its chronic and acute effects on human health;

(ix) a complete description of all information known by the exporter concerning the environmental persistence and fate of the pesticide, including the rate and manner of its degradation, its retention within plants and livestock, and its movement within water supplies;

(x) such other disclosures as the Administrator may by regulation require;

(xi) a written undertaking by the exporter to promptly advise the country of use of any changes, revisions or additions in the facts, circumstances and information that relate to the disclosures and that are required by this paragraph;

(xii) a written certification by the exporter that the pesticide will be used only for experimental purposes, and will not be used for any nonexperimental commercial purpose; and

(xiii) a written undertaking by the exporter that the exporter will destroy any crops or livestock to which the pesticide is applied or that the crops or livestock will be fed only to experimental animals that will be destroyed and not used for food purposes.

(E) On the request of the appropriate official of the country of use, the Administrator shall provide a copy of any records in the files of the Administrator that are associated with the issuance of an experimental use permit issued pursuant to section 5(a) for the pesticide for research or experimental use that is the subject of a request under this paragraph if such permit has been issued for such pesticide, except that a complete confidential statement of the composition of the formula to be tested shall not be required to be provided.

(F) The appropriate official of the country of use may consent, deny consent, or consent to such request on such terms and conditions as such official determines to be appropriate and shall transmit the response of the government of the country of use to the Administrator and the exporter. If the official sends a written notice of consent to the use of the pesticide for research or experimental use to the Administrator, the Administrator shall, not later than 5 working days after receipt of such notice, notify the exporter of such pesticide. On receipt of such written notice of consent from the Administrator or the country of use, the exporter of such pesticide may export such pesticide in accordance with—

(i) the terms of the request submitted under subparagraph (D);

(ii) any term or condition in the written notice of consent issued by the official of the country of use; and

(iii) the requirements of this section.

(G) The written notice of consent issued by the official of the country of use shall be subject to public review and inspection.

(H) A producer or exporter of a pesticide that exports a pesticide for research or experimental use to a country of use pursuant to this paragraph shall be subject to the requirements of sections 2(p), 2(q), 7, and 8.

(b) NOTICES OF REGULATORY EVENTS FURNISHED TO FOREIGN GOVERNMENTS.—

(1) IN GENERAL.—The Administrator shall, not more than 30 days after the effective date of the actions described in subparagraphs (A) through (D), transmit a notice to the appropriate officials of the appropriate departments or agencies of all countries, and to the office responsible for the International Register of Potentially Toxic Chemicals. The Administrator shall provide such notice each time—

(A) a registration or a cancellation (whether voluntary or involuntary) or suspension, due in whole or in part to human health or environmental risks, of the registration of a pesticide becomes effective or ceases to be effective under this Act;

(B) a pesticide is first classified for restricted use under this Act;

(C) a registration of a pesticide is made subject to conditions under section 3(c)(7)(C); or

(D) a pesticide is made subject to an interim administrative review under section 3(c)(8).

(2) CONTENTS OF NOTICE.—A notice described in paragraph (1) shall include—

(A) the factual basis on which the Administrator issued findings in support of any regulatory action described in subparagraphs (A) through (D) of paragraph (1);

(B) an explanation of the legal significance of such regulatory action;

(C) information reasonably available to the Administrator in the case of any action that causes a pesticide to be subject to subsection (a)(2)—

(i) concerning other pesticides registered under section 3 that could be used as an alternative to such pesticide including—

(I) a complete summary of the regulatory status under this Act of any alternative pesticide; and

(II) a summary of possible adverse effects on human health or on the environment that any alternative pesticide may cause;

(ii) nonchemical alternatives to such pesticide;

(iii) the names and addresses of international organizations that the Administrator determines to be capable of providing informaiton concerning nonchemical alternatives to such pesticide; and

(iv) the name and address of the office of the Environmental Protection Agency that will, on request, provide additional information concerning any pesticide that is subject to regulatory action, and alternatives to such pesticide.

(c) IMPORTATION OF PESTICIDES AND DEVICES.—The Secretary of the Treasury shall notify the Administrator of the arrival of pesti-

cides, devices, and active ingredients and shall deliver to the Administrator, upon his request, samples of pesticides or devices which are being imported into the United States, giving notice to the owner or consignee, who may appear before the Administrator and have the right to introduce testimony. If it appears from the examination of a sample that it is adulterated, or misbranded or otherwise violates the provisions set forth in this Act, or is otherwise injurious to health or the environment, the pesticide or device may be refused admission, and the Secretary of the Treasury shall refuse delivery to the consignee and shall cause the destruction of any pesticide or device refused delivery which shall not be exported by the consignee within 90 days from the date of notice of such refusal under such regulations as the Secretary of the Treasury may prescribe. The Secretary of the Treasury may deliver to the consignee such pesticide or device pending examination and decision in the matter on execution of bond for the amount of the full invoice value of such pesticide or device, together with the duty thereon, and on refusal to return such pesticide or device for any cause to the custody of the Secretary of the Treasury, when demanded, for the purpose of excluding them from the country, or for any other purpose, said consignee shall forfeit the full amount of said bond. All charges for storage, cartage, and labor on pesticides or device which are refused admission or delivery shall be paid by the owner or consignee, and in defalut of such payment shall constitute a lien against any future importation made by such owner or consignee.

(d) COOPERATION IN INTERNATIONAL EFFORTS.—The Administrator should—

"(1) convene, in cooperation with the Agency for International Development of the Department of State, the Food and Drug Administration of the Department of Health and Human Services, the United States Department of Agriculture, the United Nations Environment Program and agencies, Food and Agriculture Organization, and any other appropriate Federal agencies or departments, not later than 1 year after the date of the enactment of this section, a meeting of representatives of foreign governments, nongovernmental organizations, and other interested partie, and sponsor such additional meetings, as the Administrator determines to be necessary to promote the development and implementation of improved research and regulatory programs for pest management, and improved strategies for sustainable agriculture, including the promotion and development of integrated pest management;

(2) provide foreign countries with technical assistance to develop comprehensive pesticide regulatory programs; and

(3) not later than 1 year after the date of enactment of this section, convene, a meeting of representatives of foreign governments, nongovernmental organizations, and other interested parties, and sponsor such other meetings as may be necessary, to actively encourage the adoption of a binding multilateral convention requiring standard, mandatory notice and export control measures for pesticides.

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FEDERAL FOOD, DRUG, AND COSMETIC ACT AS AMENDED

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TOLERANCES FOR PESTICIDE CHEMICALS IN OR ON RAW AGRICULTURAL COMMODITIES

SEC. 408 (a) Any poisonous or deleterious pesticide chemical, or any pesticide chemical which is not geneally recognized, among experts qualified by scientific training and experience to evaluate the safety of pesticide chemicals, as safe for use, added to a raw agricultural commodity, shall be deemed unsafe for the purposes of the application of clause (2) of section 402(a) unless—

(1) a tolerance for such pesticide chemical in or on the raw agricultural commodity has been prescribed by the Administrator of the Environmental Protection Agency under this section and the quantity of such pesticide chemical in or on the raw agricultural commodity is within the limits of the tolerance so prescribed; or

(2) with respect to use in or on such raw agricultural commodity, the pesticide chemical has been exempted from the requirement of a tolerance by the Administrator under this section.

While a tolerance or exemption from tolerance is in effect for a pesticide chemical with respect to any raw agricultural commodity, such raw agricultural commodity shall not, by reason of bearing or containing any added amount of such pesticide chemical, be considered to be adulterated within the meaning of clause (1) of section 402(a).

(b) The Administrator shall promulgate regulations establishing tolerances with respect to the use in or on raw agricultural commodities of poisonous or deleterious pesticide chemicals and of pesticide chemicals which are not generally recognized, among experts qualified by scientific training and experience to evaluate the safety of pesticide chemicals, as safe for use, to the extent necessary to protect the public health. In establishing any such regulation, the Administrator shall give appropriate consideration, among other relevant factors (1) to the necessity for the production of an adequate, wholesome, and economical food supply; (2) to the other ways in which the consumer may be affected by the same pesticide chemical or by other related substances that are poisonous or deleterious; and (3) to the opinion submitted with a certification of usefulness under subsection (l) of this section. Such regulations shall be promulgated in the manner prescribed in subsection (d) and (e) of this section. In carrying out the provisions of this section relating to the establishment of tolerances, the Administrator may establish the tolerance applicable with respect to the use of any pesticide chemical in or on any raw agricultural commodity at zero level if the scientific data before the Administrator does not justify the establishment of a greater tolerance.

(c) The Administrator shall promulgate regulations exempting any pesticide chemical from the necessity of a tolerance with respect to use in or on any or all raw agricultural commodities when such a tolerance is not necessary to protect the public health. Such

regulations shall be promulgated in the manner prescribed in subsection (d) or (e) of this section.

(d)(1) Any person who has registered, or who has submitted an application for the registration of, an economic poison under the Federal Insecticide, Fungicide, and Rodenticide Act may file with the Administrator a petition proposing the issuance of a regulation establishing a tolerance for a pesticide chemical which constitutes, or is an ingredient of such economic poison, or exempting the pesticide chemical from the requirement of a tolerance. The petition shall contain data showing—

(A) the name, chemical identity, and composition of the pesticide chemical;

(B) the amount, frequency, and time of application of the pesticide chemical;

(C) full reports of investigations made with respect to the safety of the pesticide chemical;

(D) the results of tests on the amount of residue remaining, including a description of the analytical methods used;

(E) practicable methods of removing residue which exceeds any proposed tolerance;

(F) proposed tolerances for the pesticide chemical if tolerances are proposed; and

(G) reasonable grounds in support of the petition.

Samples of the pesticide chemical shall be furnished to the Administrator upon request. Notice of the filing of such petition shall be published in general terms by the Administrator within thirty days after filing. Such notice shall include the analytical methods available for the determination of the residue of the pesticide chemical for whch tolerance or exemption is proposed.

(2) Within ninety days after a certification of usefulness by the Administrator under subsection (1) with respect to the pesticide chemical named in the petition, the Administrator shall, after giving due consideration to the data submitted in the petition or otherwise before him, by order make public a regulation—

(A) establishing a tolerance for the pesticide chemical named in the petition for the purposes for which it is so certified as useful, or

(B) exempting the pesticide chemical from the necessity of a tolerance for such purposes,

unless within such ninety-day period the person filing the petition requests that the petiton be referred to an advisory committee or the Administrator within such period otherwise deems such referral necessary, in either of which events the provisions of paragraph (3) of this subsection shall apply in lieu hereof.

(3) In the event that the person filing the petition requests, within ninety days after a certification of usefulness by the Administrator under subsection (1), with respect to the pesticide chemical named in the petition, that the petition be referred to an advisory committee, or in the event the administrator within such period otherwise deems such referral necessary, the Administrator shall forthwith submit the petition and other data before him to an advisory committee to be appointed in accordance with subsection (g) of this section. As soon as practicable after such referral, but not later than sixty days thereafter, unless extended as hereinafter

provided, the committee shall, after independent study of the data submitted to it by the Administrator and other data before it, certify to the Administrator a report and recommendations on the proposal in the petition to the Administrator, together with all underlying data and a statement of the reasons or basis for the recommendations. The sixty-day period provided for herein may be extended by the advisory committee for an additional thirty days if the advisory committee deems this necessary. Within thirty days after such certification, the Administrator shall, after giving due consideration to all data then before him, including such report, recommendations, underlying data, and statement, by order make public a regulation—

(A) establishing a tolerance for the pesticide chemical named in the petition for the purpose for which it is so certified as useful; or

(B) exempting the pesticide chemical from the necessity of a tolerance for such purposes.

(4) The regulations published under paragraph (2) or (3) of this subsection will be effective upon publication.

(5) Within thirty days after publication, any person adversely affected by a regulation published pursuant to paragraph (2) or (3) of this subsection, or pursuant to subsection (e), may file objections thereto with the Administrator, specifying with particularity the provisions of the regulation deemed objectionable, stating reasonable grounds therefor, and requesting a public hearing upon such objections. A copy of the objections filed by a person other than the petitioner shall be served on the petitioner, if the regulation was issued pursuant to a petition. The petitioner shall have two weeks to make a written reply to the objections. The Administrator shall thereupon, after due notice, hold such public hearing for the purpose of receiving evidence relevant and material to the issues raised by such objections. Any report, recommendations, underlying data, and reasons certified to the Administrator by an advisory committee shall be made a part of the record of the hearing, if relevant and material, subject to the provisions of section 7(c) of the Administrative Procedure Act (5 U.S.C., sec. 1006(c)). The National Academy of Sciences shall designate a member of the advisory committee to appear and testify at any such hearing with respect to the report and recommendations of such committee upon request of the Administrator, the petitioner, or the officer conducting the hearing: *Provided,* That this shall not preclude any other member of the advisory committee from appearing and testifying at such hearing. As soon as practicable after completion of the hearing, the Administator shall act upon such objections and by order make public a regulation. Such regulation shall be based only on substantial evidence of record at such hearing, including any report, recommendations, underlying data, and reasons certified to the Administrator by an advisory committee, and shall set forth detailed findings of fact upon which the regulation is based. No such order shall take effect prior to the ninetieth day after its publication, unless the Administrator finds that emergency conditions exist necessitating an earlier effective date, in which event the Administrator shall specify in the order of his findings as to such conditions.

(e) The Administrator may at any time, upon his own initiative or upon the request of any interested person, propose the issuance of a regulation establishing a tolerance for a pesticide chemical or exempting it from the necessity of a tolerance. Thirty days after publication of such a proposal, the Administrator may by order publish a regulation based upon the proposal which shall become effective upon publication unless within such thirty-day period a person who has registered, or who has submitted an application for the registration of, an economic poison under the Federal Insecticide, Fungicide, and Rodenticide Act containing the pesticide chemical named in the proposal, requests that the proposal be referred to an advisory committee. In the event of such a request, the Administrator shall forthwith submit the proposal and other relevant data before him to an advisory committee to be appointed in accordance with subsection (g) of this section. As soon as practicable after such referral, but not later than sixty days thereafter, unless extended as hereinafter provided, the committee shall, after independent study of the data submitted to it by the Administrator and other data before it, certify to the Administrator a report and recommendations on the proposal together with all underlying data and a statement of the reasons or basis for the recommendations. The sixty-day period provided for herein may be extended by the advisory committee for an additional thirty days if the advisory committee deems this necessary. Within thirty days after such certification the Administrator may, after giving due consideration to all data before him, including such report, recommendations, underlying data and statement, by order publish a regulation establishing a tolerance for the pesticide chemical named in the proposal or exempting it from the necessity of a tolerance which shall become effective upon publication. Regulations issued under this subsection shall upon publication be subject to paragraph (5) of subsection (d).

(f) All data submitted to the Administrator or to an advisory committee in support of a petition under this section shall be considered confidential by the Administrator and by such advisory committee until publication of a regulation under paragraph (2) or (3) of subsection (d) of this section. Until such publication such data shall not be revealed to any person other than those authorized by the Administrator or by an advisory committee in the carrying out of their official duties under this section.

(g) Whenever the referral of a petition or proposal to an advisory committee is requested under this section, or the Administrator otherwise deems such referral necessary, the Administrator shall forthwith appoint a committee of competent experts to review the petition or proposal and to make a report and recommendations thereon. Each such advisory committee shall be composed of experts, qualified in the subject matter of the petition and of adequately diversified professional background selected by the National Academy of Sciences and shall include one or more representatives from land-grant colleges. The size of the committee shall be determined by the Administrator. Members of an advisory committee shall receive compensation and travel expenses in accordance with subsection (b)(5)(D) of section 706. [which the Administrator shall by rules and regulations prescribe.] The members shall not be

subject to any other provisions of law regarding the appointment and compensation of employees of the United States. The Administrator shall furnish the committee with adequate clerical and other assistance, and shall by rules and regulations prescribe the procedures to be followed by the committee.

(h) A person who has filed a petition or who has requested the referral of a proposal to an advisory committee in accordance with the provision of this section, as well as representatives of the Environmental Proteciton Agency, shall have the right to consult with any advisory committee provided for in subsection (g) in connection with the petition or proposal.

(i)(1) In a case of actual controversy as to the validity of any order under subsection (d)(5), (e) or (1) any person who will be adversely affected by such order may obtain judicial review by filing in the United States Court of Appeals for the circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia Circuit, within sixty days after entry of such order, a petition praying that the order be set aside in whole or in part.

(2) In the case of a petition with respect to an order under subsection (d)(5) or (e), a copy of the petition shall be forthwith transmitted by the clerk of the court to the Administrator, or any officer designated by him for that purpose, and thereupon the Administrator shall file in the court the record of the proceedings on which he based his order, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, the court shall have exclusive jurisdiction to affirm or set aside the order complained of in whole or in part. The findings of the Administrator with respect to questions of fact shall be sustained if supported by substantial evidence when considered on the record as a whole, including any report and recommendation of an advisory committee.

(3) In the case of a petition with respect to an order under subsection (1), a copy of the petition shall be forthwith transmitted by the clerk of the court to the Administrator or any officer designated by him for that purpose, and thereupon the Administrator shall file in the court the record of the proceedings on which he based his order, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, the court shall have exclusive jurisdiction to affirm or set aside the order complained of inwhole or in part. The findings of the Administrator with respect to questions of fact shall be sustained if supported by substantial evidence when considered on the record as a whole.

(4) If application is made to the court for leave to adduce additional evidence, the court may order such additional evidence to be taken before the Administrator, and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper, if such evidence is material and there were reasonable grounds for failure to adduce such evidence in the proceedings below. The Administrator may modify his findings as to the facts and order by reason of the additional evidence so taken, and shall file with the court such modified findings and order.

(5) The judgment of the court affirming or setting aside, in whole or in part, any order under this section shall be final, subject to review by the Supreme Court of the United States upon certiorari

or certification as provided in section 1254 of title 28 of the United States Code. The commencement of proceedings under this section shall not, unless specifically ordered by the court to the contrary, operate as a stay of an order. The court shall advance on the docket and expedite the disposition of all causes filed therein pursuant to this section.

(j) The Administrator may, upon the request of any person who has obtained an experimental permit for a pesticide chemical under the Federal Insecticide, Fungicide, and Rodenticide Act or upon his own initiative, establish a temporary tolerance for the pesticide chemical for the uses covered by the permit whenever in his judgment such action is deemed necessary to protect the public health, or may temporarily exempt such pesticide chemical from a tolerance. In establishing such a tolerance, the Administrator shall give due regard to the necessity for experimental work in developing an adequate, wholesome, and economical food supply and to the limited hazard to the public health involved in such work when conducted in accordance with applicable regulations under the Federal Insecticide, Fungicide, and Rodenticide Act.

(k) Regulations affecting pesticide chemicals in or on raw agricultural commodities which are promulgated under the authority of section 406(a) upon the basis of public hearings instituted before January 1, 1953, in accordance with section 701(e), shall be deemed to be regulations under this section and shall be subject to amendment or repeal as provided in subsection (m).

(l) The Administrator, upon request of any person who has registered, or who has submitted an application for the registration of, an economic poison under the Federal Insecticide, Fungicide, and Rodenticide Act, and whose request is accompanied by a copy of a petition filed by such person under subsection (d)(1) with respect to a pesticide chemical which constitutes, or is an ingredient of, such economic poison, shall, within thirty days or within sixty days if upon notice prior to the termination of such thirty days the Administrator deems it necessary to postpone action for such period, on the basis of data before him either—

(1) certify that such pesticide chemical is useful for the purpose for which a tolerance or exemption is sought; or

(2) notify the person requesting the certification of his proposal to certify that the pesticide chemical does not appear to be useful for the purpose for which a tolerance or exemption is sought, or appears to be useful for only some of the purposes for which a tolerance or exemption is sought.

In the event that the Administrator takes the action described in clause (2) of the preceding sentence, the person requesting the certification, within one week after receiving the proposed certification, may either (A) request the Administrator to certify on the basis of the proposed certification; (B) request a hearing on the proposed certification or the parts thereof objected to; or (C) request both such certification and such hearing. If no such action is taken, the Administrator may by order make the certification as proposed. In the event that the action described in clause (A) or (C) is taken, the Administrator shall by order make the certification as proposed with respect to such parts thereof as are requested. In the event a hearing is requested, the Administrator shall provide op-

portunity for a prompt hearing. The certification of the Administrator as the result of such hearing shall be made by order and shall be based only on substantial evidence of record at the hearing and shall set forth detailed findings of fact. In no event shall the ~~time elapsing~~ between the making of a request for a certification under this subsection and final certification by the Administrator exceed one hundred and sixty days. The Administrator shall submit with any certification of usefulness under this subsection an opinion, based on the data before him whether the tolerance or exemption proposed by the petitioner reasonably reflects the amount of residue likely to result when the pesticide chemical is used in the manner proposed for the purpose for which the certification is made. The Administrator, after due notice and opportunity for public hearing, is authorized to promulgate rules and regulations for carrying out the provisions of this subsection.

(m) The Administrator shall prescribe by regulations the procedure by which regulations under this section may be amended or repealed, and such procedure shall conform to the procedure provided in this section for the promulgation of regulations establishing tolerances, including the appointment of advisory committees and the procedure for referring petitions to such committees.

(n) The provisions of section 303(c) of the Federal Food, Drug, and Cosmetic Act with respect to the furnishing of guaranties shall be applicable to raw agricultural commodities covered by this section.

(o) The Administrator shall by regulation require the payment of such fees as will in the aggregate, in the judgement of the Administrator, be sufficient over a reasonable term to provide, equip, and maintain an adequate service for the performance of the Administrator's functions under this section. Under such regulations, the performance of the Administrator's services or other functions pursuant to this section, including any one or more of the following, may be conditioned upon the payment of such fees: (1) the acceptance of filing of a petition submitted under subsection (d); (2) the promulgation of a regulation establishing a tolerance, or an exemption from the necessity of a tolerance, under this section, or the amendment or repeal of such regulation; (3) the referral of a petition or proposal under this section to an advisory committee; (4) the acceptance for filing of objections under subsection (d)(5); or (5) the certification and filing in court of a transcript of the proceedings and the record under subsection (i)(2). Such regulations may further provide for waiver or refund of fees in whole or in part when in the judgment of the Administrator such waiver or refund is equitable and not contrary to the purposes of this subsection.

(p)(1)(A) If the Administrator, acting under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.), with or without the consent of the registrant, either cancels the registration of each pesticide that contains a particular pesticide chemical and that is registered for use on a particular food, or requires that the registration of each such pesticide be modified to prohibit the use of the pesticide in connection with the production, storage, processing or transportation of the food, due in whole or in significant part to dietary risks to humans posed by residues of the pesticide chemical in or on the food, the Administrator shall revoke any tolerance or exemption under this section or section 409 that permits the pres-

ence of the pesticide chemical, or any pesticide chemical that results from its use, in or on the food. The Administrator shall, not later than 30 days after the date on which this subparagraph initially applies to the pesticide chemical, publish a notice in the Federal Register issuing an order revoking any tolerance or exemption for such use established under this section or section 409 for such pesticide chemical in or on such food.

(B) The effective date of a revocation described in subparagraph (A) shall be 180 days after the date on which such subparagraph (A) initially applies to the pesticide chemical.

(C) The Administrator may delay the effective date of a modification or revocation of a tolerance or exemption from the requirement of a tolerance for a pesticide chemical residue in or on a food under this section or section 409 if the modification or revocation would require a lower level of the pesticide chemical residue in or on the food than the level in effect under tolerance or exemption immediately before the date the modification or revocation would otherwise take effect.

(D) The Administrator may delay the effective date, to permit the tolerance or exemption to remain at the level in effect immediately before the date the modification or revocation would otherwise take effect, for the period of time that the Administrator determines is necessary to allow foods that could contain the pesticide chemical residue as a result of lawful application of the pesticide chemical prior to the date the modification or revocation would otherwise take effect to be sold to consumers in the course of the usual practice for the production, processing, transportation, storage, and distribution of that type of food.

(E) The Administrator shall designate the delayed effective date and describe the determinations supporting the selection of the date in the order modifying or revoking the tolerance or exemption.

(F) Notwithstanding subparagraph (C) or (D), the Administrator shall, in the order modifying or revoking the tolerance or exemption, establish a shorter period of time for delay of the effective date, or provide for no delay of the effective date, for the modification or revocation, if the Administrator determines that the shorter period, or no delay of the effective date, is necessary to protect the public health during the period of the delay that would be required under subparagraph (C) or (D).

(2)(A) If the Administrator acting under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.), with or without the consent of the Registrant, suspends the use of each registered pesticide that contains a particular pesticide chemical and that is labeled for use on a particular food, due in whole or in part to dietary risks to humans posed by residues of the pesticide chemical in or on the food, the Administrator shall suspend any tolerance or exemption under this section or section 409 that allows the presence of the pesticide chemical, or any pesticide chemical residue that results from its use, in or on the food.

(B) The suspension of a tolerance or exemption under subparagraph (A) shall be effective as long as each associated registration of a pesticide is suspended under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.).

(C) While a suspension of a tolerance or exemption is effect the tolerance or exemption shall not be considered to be in effect. If the suspension of the associated registration of the pesticide under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.) is terminated, leaving the registration of the pesticide for the use in effect under such Act, the Administrator shall rescind any associated suspension of a tolerance of exemption.

(D) The effective date of a suspension described in subparagraph (A) shall be 120 days after the date on which the registration that is the subject to an order of suspension or an order of emergency suspension initially applies to the pesticide chemical.

(E) The effective date of a suspension may be delayed in accordance with subparagraphs (C), (D), (E) and (F) of paragraph (1).

(3)(A) In connection with action taken under paragraph (1)(A) or (2)(A) or taken with respect to pesticides whose registrations were canceled prior to the effective date of this section, if the Administrator determines that a residue of the canceled or suspended pesticide chemical will unavoidably persist in the environment and be present in or on a food, the Administrator may establish a tolerance for the pesticide chemical residue at a level that permits the unavoidable residue to remain in or on the food and will protect the public health. In establishing such a tolerance, the Administrator shall use the procedures set forth in subsection (e).

(B) Not later than one year after the date on which action is taken under paragraph (1)(A) or (2)(A), and not less than annually thereafter until the date on which the revocation or suspension of the tolerance becomes effective, the Administrator shall reduce the tolerance for the pesticide chemical residue under this section or section 409, if any decrease in residual environmental contamination by such pesticide chemical, or residues of such pesticide chemical in or on lawfully treated food has occurred, based on information reasonably available to the Administrator.

(4)(A) Within 60 days after the date of publication in the Federal Register of a final regulation or order under paragraph (1) (E) or (F), or (3), any person may file objections to the regulation or order with the Administrator, specifying with particularity the provisions of the regulation or order considered objectionable and stating reasonable grounds for the objections. The Administrator shall publish a summary of the objections in the Federal Register and allow a period of not less than 30 days for comment.

(B) As soon as practicable after the comment period has closed, the Administrator shall publish in the Federal Register an order stating the action taken on each such objection and setting forth any revision to the regulation or prior order that the Administrator has found to be warranted.

(C) An order issued under this paragraph ruling on an objection shall not take effect before the 90th day after the publication of the order, unless the Administrator finds that emergency conditions exist necessitating an earlier effective date, in which event the Administrator shall specify in the order the findings of the Administrator as to the conditions.

(D) Review of a final order under this paragraph shall be in accordance with subsection (i).

(q) A tolerance for a pesticide chemical residue in or on food shall not be established by the Administrator unless the Administrator determines, after consultation with the Secretary of Health and Human Services or the Secretary of Agriculture, as appropriate, that there is a practical method for detecting and measuring the levels of such pesticide chemical on such raw agricultural commodity or processed food at the level of the pesticide chemical established by the tolerance that the Secretary is able to perform on a routine basis as part of surveillance and compliance sampling of raw agricultural commodities and processed foods for pesticide chemicals.

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AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, REENACTING, AMENDING, AND SUPPLEMENTING THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED

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VIOLATIONS AND ENFORCEMENT

SEC. 8a. (5) Any person exceeding any quota or allotment fixed for him under this title by the Secretary of Agriculture and any other person knowingly participating or aiding in the exeeding of such quota or allotment shall forfeit to the United States a sum equal to the value of such excess at the current market price for such commodity at the time of violation which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

(6) The several district courts of the United States are hereby vested with jurisdiction specifically to enforce, and to prevent and restrain any person from violating any order, regulation, or agreement, heretofore or hereafter made or issued pursuant to this title, in any proceeding now pending or hereafter brought in said courts.

(7) Upon the request of Secretary of Agriculture, it shall be the duty of the several United States attorneys, in their respective districts under the directions of the Attorney General to institute proceedings to enforce the remedies and to collect the forfeitures provided for in, or pursuant to, this title. Whenever the Secretary, or such officer or employee of the Department of Agriculture as he may designate for the purpose, has reason to believe that any handler has violated, or is violating the provisions of any order or amendment thereto issued pursuant to this title, the Secretary shall have power to institute an investigation and, after due notice to such handler, to conduct a hearing in order to determine the facts for the purpose of referring the matter to the Attorney General for appropriate action.

(8) The remedies provide for in this section shall be in addition to, and not exclusive of, any of the remedies or penalties provided for elsewhere in this title or now or hereafter existing at law or in equity.

(9) The term "person" as used in this title includes an individual partnership, corporation, association, and any other business unit.

(d) Section 8b (relating to marketing agreements):

MARKETING AGREEMENTS

SEC. 8b. In order to effectuate the declared policy of this title, the Secretary of Agriculture shall have the power, after due notice and opportunity for hearing, to enter into marketing agreements with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or products thereof, only with respect to such handling as in the current interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: *Provided,* That no such agreement shall remain in force after the termination of this Act.

(e) Section 8c (relating to orders):

ORDERS

SEC. 8c (1) The Secretary of Agriculture shall, subject to the provisions of this section, issue, and from time to time, amend orders applicable to processors, associations of producers, and others in the handling of any agricultural commodity or product thereof specified in subsection (2) of this section. Such persons are referred to in this title as "handlers." Such orders shall regulate, in the manner hereinafter in this section provided, only such handling of such agricultural commodity, or product thereof, as is in the current of interstate of foreign commerce, or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof.

SEC. 8c(2). * * *

SEC. 8c(3). * * *

SEC. 8c(4). * * *

SEC. 8c(5). * * *

(A) * * *

(B) Providing:

(i) for the payments to all producers and associations of producers delivering milk to the same handler of uniform prices for all milk delivered by them: *Provided,* That, except in the case of orders covering milk products only, such provisions is approved or favored by at least three-fourths of the producers who, during a representative period determined by the Secretary of Agriculture, have been engaged in the production for market of milk covered in such order or by producers who, during such representative period, have produced at least three-fourths of the volume of such milk produced for market during such period; the approval required hereunder shall be separate and apart from any other approval or disapproval provided for by this section; or

(ii) for the payment to all producers and associations of producers delivering milk to all handlers of uniform prices for all milk so delivered, irrespective of the uses made of such milk by the individual handler to whom it is delivered;

subject, in either case, only to adjustments for (a) volume, market, and production differentials customarily applied by the handlers subject to such order, (b) the grade or quality of the milk delivered, (c) the locations at which delivery of such milk is made, (d) a further adjustment to encourage seasonal adjustments in the production of milk through equitable apportionment of the total value of the milk purchased by any handler, or by all handlers, among producers on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, [and] (e) a provision providing for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk may be included in an order *and, (f) a further adjustment, equitably to apportion the total value of milk purchased by any handler or by all handlers among producers on the basis of the milk components contained in their marketings of milk.*

(C) In order to accomplish the purposes set forth in paragraphs (A) and (B) of this subsection (5), providing a method for making adjustment in payments, as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the milk purchased by him at the prices fixed in accordance with paragraph (A) hereof.

(D) Providing that, in the case of all milk purchased by handlers from any producer who did not regularly sell milk during a period of 30 days next preceding the effective date of such order for consumption in the area covered thereby, payments to such producer, for the period beginning with the first regular delivery by such producer and continuing until the end of the two full calendar months following the first day of the next succeeding calendar month, shall be made at the price for the lowest use classification specified in such order, subject to the adjustments specified in paragraph (B) of this subsection (5).

(E) Providing (i) except as to producers for whom such services are being rendered by a cooperative marketing association, qualified as provided in paragraph (F) of this subsection (5), for market information to producers and for the verification of weights, sampling, and testing of milk purchased from producers, and for making appropriate deductions therefor from payments to producers, and (ii) for assurance of, and security for, the payment by handlers for milk purchased.

(F) Nothing contained in this subsection (5) is intended or shall be construed to prevent a cooperative marketing association qualified under the provisions of the Act of Congress of February 18, 1922, as amended, known as the "Capper-Volstead Act," engaged in making collective sales or marketing of milk or its products for the producers thereof, from blending the net proceeds of all its sales in all markets in all use classifications, and making distribution thereof to its producers in accordance with the contract between the association and its producers: *Provided,* That it shall not sell milk or its products to any handler for use or consumption in any market at prices less than the prices fixed pursuant to paragraph (A) of this subsection (5) for such milk.

(G) No marketing agreement or order applicable to milk and its products in any marketing area shall prohibit or in any manner limit, in the case of the products of milk, the marketing in that area of any milk or product thereof produced in any production area in the United States.

(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing.

(I) Establishing or providing for the establishment of research and development projects, and advertising (excluding brand advertising), sales promotion, educational, and other programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a manadatory checkoff for advertising or marketing research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in this order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order. Notwithstanding any other provision of this Act, as amended, any producer against whose marketings any assessment is withheld or collected under the authority of this subparagraph, and who is not in favor of supporting the research and promotion programs, as provided for herein, shall have the right to demand and receive a refund of such assessment pursuant to the terms and conditions specified in the order.

(J) Providing for the payment, from the total sums payable by all handlers for milk (irrespective of the use classification of such milk) and before computing uniform prices under para-

graph (A) and making adjustments in payments under paragraph (C), to handlers that are cooperative marketing associations described in paragraph (F) and to handlers with respect to which adjustments in payments are made under paragraph (C), for services of marketwide benefit, including but not limited to—

(i) providing facilities to furnish additional supplies of milk needed by handlers and to handle and dispose of milk supplies in excess of quantities needed by handlers;

(ii) handling on specific days quantities of milk that exceed the quantities needed by handlers; and

(iii) transporting milk from one location to another for the purpose of fulfilling requirements for milk of a higher use classification or for providing a market outlet for milk of any use classification.

(K)(i) Notwithstanding any other provision of law, milk produced by dairies—

(I) owned or controlled by foreign persons; and

(II) financed by or with the use of bonds the interest on which is exempt from Federal income tax under section 103 of Title 26;

shall be treated as other-source milk, and shall be allocated as milk received from producer-handlers for the purposes of classifying producer milk, under the milk marketing program established under this chapter. For the purposes of this subparagraph, the term "foreign person" has the meaning given such term under section 3508(3) of this title.

(ii) The Secretary of Agriculture shall prescribe regulations to carry out his subparagraph.

(iii) This subparagraph shall not apply with respect to any dairy that began operation before May 6, 1986.

(L) Providing that adjustments in payments by handlers under paragraph (A) need not be the same as adjustments to producers under paragraph (B) with regard to adjustments authorized by subparagraphs (2) and (3) and of paragraph (A) and clauses (b), (c), and (d) of paragraph (B)(ii).

OTHER COMMODITIES; TERMS AND CONDITIONS OF ORDERS

(6) In the case of the agricultural commodities and the products thereof, other than milk and its products, specified in subsection (2) of this section orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7) of this section), no others *except that such terms and conditions shall not be accomplished through the use of cosmetic quality standards (regulations or standards that govern superficial damage to or alteration of the exterior appearance of an agricultural commodity or product thereof, and damage or alteration to an agricultural commodity or product thereof that does not significantly affect the yield taste, or nutritional content of the commodity or product) after July 1, 1992:*

(A) Limiting, or providing methods for the limitation of, the total quantity of any such commodity or product, or of any grade, size, or quality thereof, produced during any specified

period or periods, which may be marketed in or transported to any or all markets in the current of interstate or foreign commerce or so as directly to burden, obstruct, or affect interstate or foreign commerce in such commodity or product thereof, during any specified period or periods by all handlers thereof.

(B) Allotting, or providing methods for allotting, the amount of such commodity or product, or any grade, size, or quality thereof, which each handler may purchase from or handle on behalf of any and all producers thereof, during any specified period or periods, under a uniform rule based upon the amounts sold by such producers in such prior period as the Secretary determines to be representative, or upon to current quantities available for sale by such producers, or both, to the end that total quantity thereof to be purchased, or handled during any specified period or periods shall be apportioned equitably among producers.

SEC. 8c(6)(C). * * *

SEC. 8c(6)(D). * * *

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RESTRICTIONS ON IMPORTED COMMODITIES

SEC. 8c. Notwithstanding any other provision of law, whenever a marketing order issued by the Secretary of Agriculture pursuant to section 8c of this Act contains any terms or conditions regulating the grade, size, quality, or maturity of tomatoes, raisins, olives (other than Spanish-style green olives), prunes, avocados, mangoes, limes, grapefruit, green peppers, Irish potatoes, cucumbers, oranges, onions, walnuts, dates, filberts, table grapes, [or eggplants] *eggplants, kiwifruit, nectarines, plums, or pistachios* produced in the United States the importation into the United States of any such commodity, other than dates for processing, during the period of time such order is in effect shall be prohibited unless it complies with the grade, size, quality, and maturity provisions of such order or comparable restrictions promulgated hereunder: *Provided,* That this prohibition shall not apply to such commodities when shipped into continental United States from the Commonwealth of Puerto Rico or any Territory or possession of the United States where this Act has force and effect: *Provided further,* That whenever two or more such marketing orders regulating the same agricultural commodity produced in different areas of the United States are concurrently in effect, the importation into the United States of any such commodity, other than dates for processing, shall be prohibited unless it complies with the grade, size, quality, and maturity provisions of the order which, as determined by the Secretary of Agriculture, regulates the commodity produced in the area with which the imported commodity is in most direct competition. Such prohibition shall not become effective until after the giving of such notice as the Secretary of Agriculture determines reasonable, which shall not be less than three days. In determining the amount of notice that is reasonable in the case of tomatoes the Secretary of Agriculture shall give due consideration to the time required for their transportation and entry into the United States after picking. Whenever the Secretary of Agriculture finds that the application of

the restrictions under a marketing order to an imported commodity is not practicable because of variations in characteristics between the domestic and imported commodity he shall establish with repect to the imported commodity, other than dates for processing, such grade, size, quality, and maturity restrictions by varieties, types, or other classifications as he finds will be equivalent or comparable to those imposed upon the domestic commodity under such order. The Secretary of Agriculture may promulgate such rules and regulations as he deems necessary, to carry out the provisions of this section. Any person who violates any provision of this section or of any rule, regulation, or order promulgated hereunder shall be subject to a forfeiture in the amount prescribed in section 8a(5) or, upon conviction, a penalty in the amount prescribed in section 8c(14) of the Act, or to both such forfeiture and penalty.

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AGRICULTURAL MARKETING ACT OF 1946

* * * * * * *

TITLE II

This title may be cited as the "Agricultural Marketing Act of 1946."

SEC. 202. The Congress hereby declares that a sound, efficient, and privately operated system for distributing and marketing agricultural products is essential to a prosperous agriculture and is indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the Nation. It is further declared to be the policy of Congress to promote through research, study, experimentation, and through cooperation among Federal and State agencies, farm organizations, and private industry a scientific approach to the problems of marketing, transportation, and distribution of agricultural products similar to the scientific methods which have been utilized so successfully during the past eighty-four years in connection with the production of agricultural products so that such products capable of being produced in abundance may be marketed in an orderly manner and efficiently distributed. In order to attain these objectives, it is the intent of Congress to provide for (1) continuous research to improve the marketing, handling, storage, processing, transportation, and distribution of agricultural products; (2) cooperation among Federal and State agencies, producers, industry organizations, and others in the development and effectuation of research and marketing programs to improve the distribution processes; (3) an integrated administration of all laws enacted by Congress to aid the distribution of agricultural products through research, market aids and services, and regulatory activities, to the end that marketing methods and facilities may be improved, that distribution costs may be reduced and the price spread between the producer and consumer may be narrowed, that dietary and nutritional standards may be improved, that new and wider markets for American agricultural products may be de-

veloped, both in the United States and in other countries, with a view to making it possible for the full production of American farms to be disposed of usefully, economically profitably, and in an orderly manner. In effectuating the purposes of this title, maximum use shall be made of existing research facilities owned or controlled by the Federal Government or by State agricultural experiment stations and of the facilities of the Federal and State extention services. To the maximum extent practicable marketing research work done hereunder in cooperation with the States shall be done in cooperation with the State agricultural experiment stations; marketing educational and demonstrational work done hereunder in cooperation with the States shall be done in cooperation with the State agricultural extension service; market information, inspection, regulatory work and other marketing service done hereunder in cooperation with the State agencies shall be done in cooperation with the State departments of agriculture, and State bureaus and departments of markets.

SEC. 203. The Secretary of Agriculture is directed and authorized—

(a) To conduct, assist, and foster research, investigation, and experimentation to determine the best methods of processing, preparation for market, packaging, handling, transporting, storing, distributing, and marketing agricultural products: *Provided,* That the results of such research shall be made available to the public for the purpose of expanding the use of American agricultural products in such manner as the Secretary of Agriculture may determine.

(b) To determine costs of marketing agricultural products in their various forms and through the various channels and to foster and assist in the development and establishment of more efficient marketing methods (including analyses of methods and proposed methods), practices, and facilities, for the purpose of bringing about more efficient and orderly marketing, and reducing the price spread between the producer and the consumer.

(c) To develop and improve standards of quality, condition, quantity, grade, and packaging, and recommend and demonstrate such standards in order to encourage uniformity and consistency in commercial practices. Within thirty days after the enactment of the Food and Agriculture Act of 1977, the Secretary shall by regulation adopt a standard of quality for ice cream which shall provide that ice cream shall contain at least 1.6 pounds of total solids to the gallon, weigh not less than 4.5 pounds to the gallon and contain not less than 20 percent total milk solids, constituted of not less than 10 percent milkfat. In no case shall the content of milk solids not fat be less than 6 percent Whey shall not, by weight, be more than 25 percent of the milk solids not fat. Only those products which meet the standard issued by the Secretary may bear a symbol thereon indicating that they meet the Department of Agriculture standard for "ice cream".

(d) To conduct, assist, foster, and direct studies and informational programs designed to eliminate artificial barriers to the free movement of agricultural products.

(e) To foster and assist in the development of new or expanded markets (domestic and foreign) and new and expanded uses and in the moving of larger quantities of agricultural products through the private marketing system to consumers in the United States and abroad.

(f) To conduct and cooperate in consumer education for the more effective utilization and greater consumption of agricultural products: *Provided,* That no money appropriated under the authority of this Act shall be used to pay for newspaper or periodical advertising space or radio time in carrying out the purposes of this section and section 203 (e).

(g) To collect and disseminate marketing information, including adequate outlook information on a market-area basis, for the purpose of anticipating and meeting consumer requirements, aiding in the maintenance of farm income, and bringing about a balance between production and utilization of agricultural products.

(h) To inspect, certify, and identify the class, quality, quantity, and condition of agricultural products' when shipped or received in interstate commerce, under such rules and regulations as the Secretary of Agriculture may prescribe, including assessment and collection of such fees as will be reasonable and as nearly as may be to cover the cost of the service rendered, to the end that agricultural products may be marketed to the best advantage, that trading may be facilitated, and that consumers may be able to obtain the quality product which they desire, except that no person shall be required to use the service authorized by this subsection. Any fees collected under this subsection, late payment penalties, the proceeds from the sales of samples, and interest earned from the investment of such funds shall be credited to the trust fund account that incurs the cost of the services provided under this subsection and shall remain available without fiscal year limitation to pay the expenses of the Secretary incident to providing such services. Such funds may be invested by the Secretary in insured or fully collateralized, interest-bearing accounts or, at the discretion of the Secretary, by the Secretary of the Treasury in United States Government debt instruments. Any official certificate issued under the authority of this subsection shall be received by all officers and all courts of the United States as prima facie evidence of the truth of the statements therein contained. Whoever knowingly shall falsely make, issue, alter, forge, or counterfeit any official certificate, memorandum, mark, or other identification, or device for making such mark or identification, with respect to inspection, class, grade, quality, size, quantity, or condition, issued or authorized under this section or knowingly cause or procure, or aid, assist in, or be a party to, such false making, issuing, altering, forging, or counterfeiting, or whoever knowingly shall possess without promptly notifying the Secretary of Agriculture or his representative, utter, publish, or use as true, or cause to be uttered, published, or used as true, any such falsely made, altered, forged, or counterfeited official certificate, memorandum, mark, identification, or device, or whoever knowingly

represents that an agricultural product has been officially inspected or graded (by an authorized inspector or grader) under the authority of this section when such commodity has in fact not been so graded or inspected shall be fined not more than $1,000 or imprisoned not more than one year, or both.

(i) To determine the needs and develop or assist in the development of plans for efficient facilities and methods of operating such facilities for the proper assembly, processing, transportation, storage, distribution, and handling of agricultural products.

(j) To assist in improving transportation services and facilities and in obtaining equitable and reasonable transportation rates and services and adequate transportation facilities for agricultural products and farm supplies by making complaint or petition to the Interstate Commerce Commission, the Maritime Commission, the Civil Aeronautics Board, or other Federal or State transportation regulatory body or the Secretary of Transportation with respect to rates, charges, tarrifs, practices and services or by working directly with individual carriers or groups of carriers.

(k) To collect, tabulate, and disseminate statistics on marketing agricultural products, including, but not restricted to statistics on market supplies, storage stocks, quantity, quality, and condition of such products in various positions in the marketing channel, utilization of such products, and shipments and unloads thereof.

(l) To develop and promulgate, for the use and at the request of any Federal agency or State, procurement standards and specifications for agricultural products, and submit such standards and specifications to such agency or State for use or adoption for procurement purposes.

(m) To conduct, assist, encourage, and promote research, investigation, and experimentation to determine the most efficient and practical means, methods, and processes for the handling, storing, preserving, protecting, processing, and distributing of agricultural commodities to the end that such commodities may be marketed in an orderly manner and to the best interest of the producers thereof.

(n) To conduct such other research and services and to perform such other activities as will facilitate the marketing, distribution, processing, and utilization of agricultural products through commercial channels.

(o) In classifying limes, lemons, oranges, grapefruit, and other citrus crops under this Act, the Secretary shall increase permissible scarring on the outer rind within the highest grades that might result from reduced pesticide use, contingent on an analysis of consumer demand and acceptance to be completed by the Department of Agriculture not later than 2 years after the date of enactment of this subsection

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UNITED STATES GRAIN STANDARDS ACT

SEC. 1. This Act may be cited as the "United States Grain Standards Act."

DECLARATION OF POLICY

SEC. 2. (a) Grain is an essential source of the world's total supply to human food and animal feed and is merchandised in interstate and foreign commerce. It is declared to be the policy of the Congress, for the promotion and protection of such commerce in the interests of producers, merchandisers, warehousemen, processors, and consumers of grain, and the general welfare of the people of the United States, to provide for the establishment of official United States standards for grain, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce in the manner hereinafter provided; with the objectives that grain may be marketed in an orderly and timely manner and that trading in grain may be facilitated. It is hereby found that all grain and other articles and transactions in grain regulated under this Act are either in interstate or foreign commerce or substantially affect such commerce and that regulations hereof as provided in this Act is necessary to prevent or eliminate burdens on such commerce and to regulate effectively such commerce.

(b) It is also declared to be the policy of Congress—

(1) to promote the marketing of grain of high quality to both domestic and foreign buyers;

(2) that the primary objective of the Official United States Standards for Grain is to certify the quality of grain as accurately as practicable; and

(3) that Official United States Standards for Grain shall—

(A) define uniform and accepted descriptive terms to facilitate trade in grain;

(B) provide information to aid in determining grain storability;

(C) offer users of such standards the best possible information for which to determine end-product yield and quality of grain; [and]

(D) provide the framework necessary for markets to establish grain quality improvement incentives[.] ;

(E) reflect the economic value-based characteristics in the intermediate and end uses or grain; and

(F) accommodate scientific advances in testing and new knowledge concerning factors related to, or highly correlated with, the end use performance of grain.

DEFINITIONS

SEC. 3. When used in this Act, except where the context requires otherwise—

(a) the term "Secretary" means the Secretary of Agriculture of the United States or his delegates;

(b) the term "Department of Agriculture" means the United States Department of Agriculture;

(c) the term "person" means any individual, partnership, corporation, association, or other business entity;

(d) the term "United States" means the States (including Puerto Rico) and the territories and possessions of the United States (including the District of Columbia);

(e) the term "State" means one of the States (including Puerto Rico) or territories or possessions of the United States (including the District of Columbia);

(f) the term "interstate or foreign commerce" means commerce from any State to or through any other State, or to or through any foreign country;

(g) the term "grain" means corn, wheat, rye, oats, barley, flaxseed, sorghum, soybeans, mixed grain, and any other food grains, feed grains, and oilseeds for which standards are established under section 4 of this Act;

(h) the term "export grain" means gain for shipment from the United States to any place outside therof;

(i) the term "official inspection, means the determination (by original inspection, and when requested, reinspection and appeal inspection) and the certification, by official inspection personnel, of the kind, class, quality, or condition of grain, under standards provided for in this Act; or the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality or condition of such grains; or other facts relating to grain under other criteria approved by the Administrator under this Act (the term "officially inspected" shall be construed accordingly);

(j) the term "official inspection personnel" means persons licensed or otherwise authorized by the Administrator pursuant to section 8 of this Act to perform all or specified functions involved in official inspection, official weighing, or supervision of weighing, or in the supervision of official inspection, official weighing or supervision of weighing;

(k) the term "official mark" means any symbol prescribed by regulations of the Administrator to show the official determination of official inspection or official weighing;

(l) the term "official grade designation" means a numerical or sample grade designation, specified in the standards relating to kind, class, quality, and condition of grain provided for in this Act;

(m) the term "official agency" means any State or local governmental agency, or any person, designated by the Administrator pursuant to subsection (f) of section 7 of this Act for the conduct of official inspection (other than appeal inspection), or subsection (c) of section 7A of this Act for the conduct of official weighing or supervision of weighing (other than appeal weighing);

(n) the terms "official certificate" and "official form" mean, respectively, a certificate or other form prescribed by regulations of the Administrator under this Act;

(o) the term "official sample" means a sample obtained from a lot of grain by, and submitted for official inspection by, official inspection personnel (the term "official sampling" shall be construed accordingly);

(p) the term "submitted sample" means a sample submitted by or for an interested person for official inspection, other than an official sample;

(q) the term "lot" means a specific quantity of grain identified as such;

(r) the term "interested person" means any person having a contract or other financial interest in grain as the owner, seller, purchaser, warehouseman, or carrier, or otherwise;

(s) the verb "ship" with respect to grain means transfer physical possession of the grain to another person for the purpose of transportation by any means of conveyance, or transport one's own grain by any means of conveyance;

(t) the term "false," "incorrect," and "misleading" mean, respectively, false, incorrect, and misleading in any particular;

(u) the term "deceptive loading, handling, weighing, or sampling" means any manner of loading, handling, weighing, or sampling that deceives or tends to deceive official inspection personnel, as specified by regulations of the Administrator under this Act;

(v) the term "export elevator" means any grain elevator, warehouse, or other storage or handling facility in the United States as determined by the Administrator, from which grain is shipped from the United States to an area outside thereof;

(w) the term "export port location" means a commonly recognized port of export in the United States or Canada, as determined by the Administrator, from which grain produced in the United States is shipped to any place outside the United States;

(x) the term "official weighing" means the determination and certification by official inspection personnel of the quantity of a lot of grain under standards provided for in this Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales and the physical inspection of the premises at which the weighing is performed and the monitoring of the discharge of grain into the elevator or conveyance (the terms "officially weigh" and "officially weighed" shall be construed accordingly);

(y) the term "supervision of weighing" means such supervision by official inspection personnel of the grain-weighing process as is determined by the Administrator to be adequate to reasonably assure the integrity and accuracy of the weighing and of certificates which set forth the weight of the grain and such physical inspection by such personnel of the premises at which the grain weighing is performed as will reasonably assure that all the grain intended to be weighed has been weighed and discharged into the elevator or conveyance;

(z) the term "Administrator" means the Administrator of the Federal Grain Inspection Service or his delegates;

(aa) the term "service" means the Federal Grain Inspection Service; and

(bb) the term "intracompany shipment" means the shipment, within the United States, of grain lots between facilities owned or controlled by the person owning the grain. The shipment of

grain owned by a cooperative, from a facility owned by that cooperative, to an export facility which it jointly owns with other cooperatives, qualifies as an intracompany shipment.

FEDERAL GRAIN INSPECTION SERVICE

SEC. 3A. There is created and established in the Department of Agriculture a Service to be known as the Federal Grain Inspection Service, all the powers of which shall be exercised by an Administrator, under the general direction and supervision of the Secretary, who shall be appointed by the President, by and with the advice and consent of the Senate. The Administrator shall be responsible for the administration of this Act and for the establishment of policies, guidelines, and regulations by which the Service is to carry out the provisions of this Act. The Secretary may delegate authority to the Administrator to perform related functions for grain and similar commodities and products thereof under other statutes administered by the Department of Agriculture. Notwithstanding any other provision of law, the Secretary is authorized to appoint four individuals to positions at grade 16 of the General Schedule, in the Service.

SEC. 4. (a) The Administrator is authorized to investigate the handling, weighing, grading, and transportation of grain and to fix and establish (1) standards of kind, class, quality, and condition for corn, wheat, rye, oats, barley, flaxseed, sorghum, soybeans, mixed grain, and such other grains as in his judgment the usages of the trade may warrant and permit, and (2) standards or procedures for accurate weighing and weight certification and controls, including safeguards over equipment calibration and maintenance, for grain shipped in interstate or foreign commerce; and the Administrator is authorized to amend or revoke such standards or procedures whenever the necessities of the trade may require.

(b)*(1)* Before establishing, amending, or revoking any standards under this Act, the Administrator shall publish notice of the proposal and give interested persons opportunity to submit data, views and arguments thereon and, upon request, an opportunity to present data, views and arguments orally in an informal manner. No standards established or amendments or revocations of standards under this Act shall become effective less than one calendar year after promulgation thereof, unless in the judgement of the Administrator, the public health, interest, or safety require that they become effective sooner.

(2)(A)(i) If the Administrator determines that the establishment or amendment of standards regarding cleanliness conditions of grain that meets the requirements for grade No. 3 or better (as set forth in subparagraph (B)) would—

(I) enhance the competitiveness of exports of grain from the United States with grain marketed by other major exporters;

(II) result in the maintenance or expansion of the United States export market share for grains;

(III) result in the maintenance or increase of United States producer income; and

(IV) be in the interest of United States agriculture, taking into consideration technical constraints, economic benefits and

costs to producers and industry, price competitiveness, and importer needs;

the Administrator shall establish or amend the standards to include economically and commercially practical levels of cleanliness for the grain.

(ii) The Administrator shall make a finding under this subsection no later than 1 year after the date of enactment of this section.

(B)(i) In setting requirements for cleanliness characteristics, the Administrator shall—

(I) consider technical constraints, economic benefits and costs to producers and industry, the price competitiveness of United States agricultural production, and levels of cleanliness met by major competing grain exporting nations;

(II) follow established rulemaking procedures, including the solicitation of public comment; and

(III) phase in the limits by incrementally decreasing the levels of the objectionable material permitted in shipments of grade No. 3 or better grain.

(ii) Following the phase-in period referred to in clause (i)(III), subsequent revision of cleanliness limits shall be conducted consistent with the schedule of the Administrator for reviewing grain standards.

(C) If the Administrator determines to establish limits on cleanliness characteristics under this section, the limits shall be fully implemented not later than 5 years after the determination.

(c)(1) In establishing standards under subsection (a), the Administrator shall establish official grade-determining factors and factor limits that reflect the levels of soundness and purity that are consistent with the intermediate and end-use performance goals of the major foreign and domestic users of each grain for which official grades are established. The soundness and purity levels established for grades No. 3 and better shall facilitate the general utilization of these grades for acquring grain that meets the general expectations of performance with minimal need for additional specification relating to soundness and purity.

(2)(A) In carrying out paragraph (1), the Administrator shall make a determination that establishes a nature and level of adverse soundness and purity conditions of grain that unacceptably limit the performance of the grain for normal intended uses by foreign and domestic users, with allowance being made for differences among the needs of various buyers and various end uses.

(B) In making the determination under subparagraph (A), the Administrator shall evaluate the grade-determining factors and factor limits in existence on the date of enactment of this section, to determine the suitability of the use of the factors as contract specifications for intermediate and end users. The evaluation shall include an assessment of what changes, if any, in factors and factor limits are necessary to achieve the requirements of paragraph (1). The evaluation shall be conducted consistent with the schedule of the Administrator for receiving grain standards.

(C) After the completion of the evaluation conducted under subparagraph (B), the Administrator shall follow established rulemaking procedures, including the solicitation of public comments, prior to making changes in the grade-determining factors and limits that

shall be applicable under this section to grain that is officially graded.

[(c)] *(d)* If the Government of any country requests that moisture content remain a criterion in the official grade designations of grain, such criterion shall be include in determining the official grade designation of grain shipped to such country.

OFFICIAL INSPECTION AND WEIGHING REQUIREMENTS

SEC. 5. (a) Whenever standards or procedures are effective under section 4 of this Act for any grain—

(1) no person shall ship from the United States to any place outside thereof any lot of such grain, unless such lot is officially weighed and officially inspected (on the basis of official samples taken after final elevation as near the final spout through which the grain passes as physically practicable as it is being loaded aboard, or while it is in, the final carrier in which it is to be transportated from the United States) in accordance with such standards or procedures, and unless a valid official certificate showing the official grade designation and certified weight of the lot of grain has been provided by official inspection personnel and is promptly furnished by the shipper, or his agent, to the consignee with the bill of lading or other shipping documents covering the shipment: *Provided,* That the Administrator may waive the foregoing requirement in emergency or other circumstances which would not impair the objectives of this Act: *Provided further,* That the Administrator shall waive the requirement for official inspection whenever the parties to a contract for such shipment of a lot of grain (which is not sold, offered for sale, or consigned for sale by grade) from the United States to any place outside thereof mutually agree under the contract to ship such lot of grain without official inspection being performed and a copy of the contract is furnished to the Administrator prior to shipment;

(2) except as the Administrator may provide in emergency or other circumstances which would not impair the objectives of this Act, all other grain transferred out of and all grain transferred into an export elevator at an export port location shall be officially weighed in accordance with such standards or procedure: *Provided,* That, unless the shipper or receiver requests that the grain be officially weighed, intracompany shipments of grain into an export elevator by any mode of transportation, grain transferred into an export elevator by transportation modes other than barge, and grain transferred out of an export elevator to destinations within the United States shall not be officially weighed; and

(3) except as otherwise authorized by the Administrator, whenever a lot of grain is both officially inspected and officially weighed while being transferred into or out of a grain elevator, warehouse, or other storage or handling facility, an official certificate shall be issued showing both the official grade designation and the certified weight of the lot of grain.

(b) All official inspection and official weighing, whether performed by authorized service employees or any other person li-

censed under section 8 of this Act, shall be supervised by representatives of the Administrator, in accordance with such regulations as he may provide.

(c) No person shall ship from the United States to any place outside thereof any lot of corn unless such lot is tested by official inspection personnel, on the basis of an official sample, for the presence of aflatoxin in accordance with procedures prescribed by the Administrator, except that the Administrator may waive the foregoing requirement in an emergency or other circumstances that would not impair the objectives of this Act.

REQUIRED USE OF OFFICIAL GRADE DESIGNATIONS AND PROHIBITION OF CERTAIN ACTS WITH RESPECT TO CERTAIN GRAIN

SEC. 6. (a) Whenever standards relating to kind, class, quality, or condition of grain are effective under section 4 of this Act for any grain no person shall in any sale, offer for sale, or consignment for sale, which involves the shipment of such grain in interstate or foreign commerce describe such grain as being of any grade in any advertising, price quotation, other negotiation of sale, contract of sale, invoice, bill of lading, other document, or description on bags or other containers of the grain, other than by an official grade designation, with or without additional information as to specified factors: *Provided,* That the description of such grain by any proprietary brand name or trademark that does not resemble an official grade designation, or with respect to interstate commerce, by the use of one or more grade factor designations set forth in the official United States standards for grain, or by other criteria shall not be deemed to be a description of grain as being of any grade.

(b) No person shall, in any sale, offer for sale, or consignment for sale, or any grain which involves the shipment of such grain from the United States to any place outside thereof, knowingly describe such grain by any official grade designation, or other description, which is false or misleading.

OFFICIAL INSPECTION AUTHORITY

SEC. 7. (a) The Administrator is authorized to cause official inspection under the standards provided for in section 4 of this Act to be made of all grain required to be officially inspected as provided in section 5 of this Act, in accordance with such regulations as he may prescribe.

(b) The Administrator is further authorized, upon request of any interested person, and under such regulations as he may prescribe, to cause official inspection to be made with respect to any grain whether by official sample, submitted sample, or otherwise within the United States under standards provided for in section 4 of this Act, or upon request of the interested person, under other criteria approved by the Administrator for determining the kind, class, quality, or condition of grain, or other facts relating to grain, whenever in his judgment providing such service will effectuate any of the objectives stated in section 2 of this Act.

(c) The regulations prescribed by the Administrator under this Act shall include provisions for reinspections and appeal inspections; cancellation and surrender of certificates superseded by rein-

spections and appeal inspections; and the use of standard forms for official certificates. The Administrator may provide by regulation that samples obtained by or for employees of the Service for purposes of official inspection shall become the property of the United States, and such samples may be disposed of without regard to the provisions of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 471 et seq.).

(d) Official certificates setting out the results of official inspection issued and not canceled under this Act shall be received by all officers and all courts of the United States as prima facie evidence of the truth of the facts stated therein.

(e)(1) Except as otherwise provided in paragraph (2) of this subsection, the Administrator shall cause official inspection at export port locations, for all grain required or authorized to be inspected by this Act, to be performed by official inspection personnel employed by the Service or other persons under contract with the Service as provided in section 8 of this Act.

(2) If the Administrator determines, pursuant to paragraph (3) of this subsection, that a State agency is qualified to perform official inspection, meets the criteria in subsection (f)(1)(A) of this section, and (A) was performing official inspection at an export port location under this Act on July 1, 1976, or (B)(i) performed official inspection at an export port location at any time prior to July 1, 1976, (ii) was designated under subsection (f) of this section on the date of enactment of the Agriculture and Food Act of 1981 to perform official inspections at locations other than export port locations, and (iii) operates in a State from which total annual exports of grain do not exceed, as determined by the Administrator, 5 per centum of the total amount of grain exported from the United States annually, the Administrator may delegate authority to the State agency to perform all or specified functions involved in official inspection (other than appeal inspection) at export port locations within the State, including export port locations which may in the future be established, subject to such rules, regulations, instructions, and oversight as he may prescribe, and any such official inspection shall continue to be the direct responsibility of the Administrator. Any such delegation may be revoked by the Administrator, at his discretion, at any time upon notice to the State agency without opportunity for a hearing.

(3) Prior to delegating authority to a State agency for the performance of official inspection at export port locations pursuant to paragraph (2) of this subsection, the Administrator shall (A) conduct an investigation to determine whether such agency is qualified, and (B) make findings based on such investigation. In conducting the investigation, the Administrator shall consult with, and review the available files of the Department of Justice, the Office of Investigation of the Department of Agriculture (or such other organization or agency within the Department of Agriculture which may be delegated the authority, in lieu thereof, to conduct investigations on behalf of the Department of Agriculture), and the General Accounting Office.

(4) The Administrator may provide that grain loaded at an interior point in the United States into a rail car, barge, or other container as the final carrier in which it is to be transported from the

United States shall be inspected in the manner provided in this subsection or subsection (f) of this section, as the Administrator determines will best meet the objectives of this Act.

(f)(1) With respect to official inspections other than at export port locations, the Administrator is authorized, upon application by any State or local governmental agency, or any person, to designate such agency or person as an official agency for the conduct of all or specified functions involved in official inspection (other than appeal inspection) at locations where the Administrator determines official inspection is needed, if—

(A) the agency or person shows to the satisfaction of the Administrator that such agency or person—

(i) has adequate facilities and qualified personnel for the performance of such official inspection functions;

(ii) will provide for the periodic rotation of official inspection personnel among the grain elevators, warehouses, or other storage or handling facilities at which the State or person provides official inspection, as is necessary to preserve the integrity of the official inspection service;

(iii) will meet training requirements and personnel standards established by the Administrator under section 8(g) of this Act;

(iv) will otherwise conduct such training and provide such supervision of its personnel as are necessary to assure that they will provide official inspection in accordance with this Act and the regulations and instructions thereunder;

(v) will not charge official inspection fees that are discriminatory or unreasonable;

(vi) if a State or local governmental agency, will not use any moneys collected pursuant to the charging of fees for any purpose other than the maintenance of the official inspection operation or other agricultural programs operated by the State or local governmental agency;

(vii) and any related entities do not have a conflict of interest prohibited by section 11 of this Act;

(viii) will maintain complete and accurate records of its organization, staffing, official activities, and fiscal operations, and such other records as the Administrator may require by regulation;

(ix) if a State or local governmental agency, will employ personnel on the basis of job qualifications rather than political affiliations;

(x) will comply with all provisions of this Act and the regulations and instructions thereunder; and

(xi) meets other criteria established in regulations issued under this Act relating to official functions under this Act; and

(B) the Administrator determines that the applicant is better able than any other applicant to provide official inspection service.

(2) Not more than one official agency or State delegated authority pursuant to subsection (e)(2) of this section for carrying out the inspection provisions of this Act shall be operative at one time for

any geographic area as determined by the Administrator to effectuate the objectives stated in section 2 of this Act.

(3) Except as authorized by the Administrator, no official agency or State delegated authority pursuant to subsection (e)(2) of this section shall officially inspect under this Act any official or other sample drawn from a lot of grain and submitted for inspection unless such lot of grain is physically located within the geographic area assigned to the agency by the Administrator at the time such sample is drawn.

(4) No State or local governmental agency or person shall provide any official inspection for the purposes of this Act except pursuant to an unsuspended and unrevoked delegation of authority or designation by the Administrator, as provided in this section, or as provided in section 8(a) of this Act.

(g)(1) Designations of official agencies shall terminate at such time as specified by the Administrator but not later than triennially and may be renewed in accordance with the criteria and procedure prescribed in subsection (f) of this section.

(2) A designation of an official agency may be amended at any time upon application by the official agency if the Administrator determines that the amendment will be consistent with the provisions and objectives of this Act; and a designation will be canceled upon request by the official agency with ninety days written notice to the Administrator. A fee as prescribed by regulations of the Administrator shall be paid by the official agency to the Administrator for each such amendment, to cover the costs incurred by the Service in connection therewith, and it shall be deposited in the fund created in subsection (i) of this section.

(3) The Administrator may revoke a designation of an official agency whenever, after opportunity for hearing is afforded the agency, the Administrator determines that the agency has failed to meet one or more of the criteria specified in subsection (f) of this section or the regulations under this Act for the performance of official functions, or otherwise has not compiled with any provision of this Act or an regulation prescribed or instruction issued to such agency under this Act, or has been convicted of any violation of other Federal law involving the handling or official inspection of grain: *Provided,* That the Administrator may, without first affording the official agency an opportunity for a hearing, suspend any designation pending final determination of the proceeding whenever the Administrator has reason to believe there is cause for revocation of the designation and considers such action to be in the best interest of the official inspection system under this Act. The Administrator shall afford any such agency an opportunity for a hearing within thirty days after temporarily suspending such designation.

(h) If the Administrator determines that official inspection by an official agency designated under subsection (f) of this section is not available on a regular basis at any location (other than at an export port location) where the Administrator determines such inspection is needed to effectuate the objectives states in section 2 of this Act, and that no official agency within reasonable proximity to such location is willing to provide or has or can acquire adequate personnel and facilities for providing such service on an interim

basis, official inspection shall be provided by authorized employees of the Service, and other persons licensed by the Administrator to perform official inspection functions, as provided in section 8 of this Act, until such time as the service can be provided on a regular basis by an official agency

(i) the Administrator is authorized to cause official inspection under this Act to be made, as provided in subsection (a) of section 5 of this Act, in Canadian ports of United States export grain transshipped through Canadian ports, and pursuant thereto the Secretary is authorized to enter into an agreement with the Canadian Government for such inspection. All or specified functions of such inspection shall be performed by official inspection personnel employed by the Service or, except for appeals, by persons operating under contract with the Service.

(j)(1) The Administrator shall, under such regulations as the Administrator may prescribe, charge and collect reasonable inspection fees to cover the estimated cost to the Service incident to the performance of official inspection except when the official inspection is performed by a designated official agency or by a State under a delegation of authority. The fees authorized by this subsection shall, as nearly as practicable and after taking into consideration any proceeds from the sale of samples, cover the costs of the Service incident to its performance of official inspection services in the United States and on United States grain in Canadian ports, including administrative and supervisory costs related to such official inspection of grain. Such fees, and the proceeds from the sale of samples obtained for purposes of official inspection which become the property of the United States, shall be deposited into a fund which shall be available without fiscal year limitation for the expenses of the Service incident to providing services under this Act.

(2) Each designated official agency and each State agency to which authority has been delegated under subsection (e) of this section shall pay to the Administrator fees in such amount as the Administrator determines fair and reasonable and as will cover the estimated costs incurred by the Service relating to supervision of official agency personnel and supervision by Service personnel of its field office personnel, except costs incurred under paragraph (3) of subsection (g) of this section and sections 9, 10, and 14 of this Act. The fees shall be payable after the services are performed at such times as specified by the Administrator and shall be deposited in the fund created in paragraph (1) of this subsection. Failure to pay the fee within thirty days after it is due shall result in automatic termination of the delegation or designation, which shall be reinstated upon payment, within such period as specified by the Administrator, of the fee currently due plus interest and any further expenses incurred by the Service because of such termination. The interest rate on overdue fees shall be as prescribed by the Secretary, but not less than the current average market yield on outstanding marketable obligations of the United States of comparable maturity, plus an additional charge of not to exceed 1 per centum per annum as determined by the Secretary and adjusted to the nearest one-eighth of 1 per centum.

(3) Any sums collected or received by the Administrator under this Act and deposited to the fund created in paragraph (1) of this

subsection and any late payment penalties collected by the Administrator and credited to such fund may be invested by the Secretary in insured or fully collateralized, interest-bearing accounts or, at the discretion of the Secretary, by the Secretary of the Treasury in United States Government debt instruments. The interest earned on such sums and any late payment penalties collected by the Administrator shall be credited to the fund and shall be available without fiscal year limitation for the expenses of the Service incident to providing services under this Act.

(k) Except as otherwise authorized by the Administrator, or except on the request of a purchaser, all export grain that is officially inspected shall be loaded aboard the final carrier according to a plan that favors neither the buyer nor the seller in meeting the requirements specified by the loading order.

* * * * * * *

PROHIBITED ACTS

SEC. 13. (a) No person shall—

(1) knowingly falsely make, issue, alter, forge or counterfeit and official certificate or other official form or official mark;

(2) knowingly utter, publish, or use as true any falsely made, issued, altered, forged, or counterfeited official certificate or other official form or official mark, or knowingly possess, without promptly notifying the Administrator or his representative, or fail to surrender to such a representative upon demand, any falsely, made, issued, altered, forged, or counterfeited official certificate or other official form, or any device for making any official mark or simulation thereof, or knowingly possess any grain in a container bearing any falsely made, issued, altered, foreged, or counterfeited official mark without promptly giving such notice.

(3) knowingly cause or attempt (whether successfully or not) to cause the issuance of a false or incorrect official certificate or other official form by any means, including but not limited to deceptive loading, handling, weighing, or sampling of grain, or submitting grain for official inspection for official weighing or supervision of weighing knowing that it has been deceptively loaded, handled, weighed, or sampled, without disclosing such konwledge to the official inspection personnel before official sampling or official weighing or supervious of weighing;

(4) alter any official sample of grain in any manner or, knowing that an official sample has been altered, thereafter represent it as an official sample;

(5) knowingly use any official grade designation or official mark on any container of grain by means of a tag, label, or otherwise, unless the grain in such container was officially inspected on the basis on an official sample taken while the grain was being loaded into or was in such container or officially weighed, respectively, and the grain was found to qualify for such designation or mark;

(6) knowingly make any false representation that any grain has been officially inspected, or officially inspected and found to be of a particular kind, class, quality, or condition, or that

particular facts have been established with respect to grain by official inspection under this Act, or that any weighing service under this Act has been performed with respect to grain;

(7) improperly influence, or attempt to improperly influence, any official inspection personnel or personnel of agencies delegated authority or of agencies or other persons designated under the Act; or any officer or employee of the Department of Agriculture with respect to the performance of his duties under this Act;

(8) forcibly assault, resist, oppose, impede, intimidate, or interfere with any official inspection personnel or personnel of agencies delegated authority or of agencies or other persons designated under this Act; or any officer or employee of the Department of Agriculture in, or on account of, the performance of this duties under this Act;

(9) falsely represent that he is licensed or authorized to perform an official inspection or official weighing or supervision of weighing function under this Act;

(10) use any false or misleading means in connection with the making or filing of an application for official inspection or official weighing or supervision of weighing;

(11) violate any provision of section 5; 6; 7(f)(2), (3), or (4); 7A, 7B(c); 8; 11; 12; or 17A of this Act;

(12) knowingly engage in falsely stating or falsifying the weight of any grain shipped in interstate or foreign commerce by any means, including, but not limited to, the use of inaccurate, faulty, or defective weighing equipment; or

(13) knowingly prevent or impede any buyer or seller of grain or other person having a financial interest in grain, or the authorized agent of any such person, from observing the loading of the grain inspected under this Act and the weighing, sampling, and inspection of such grain under conditions prescribed by the Administrator.

(b) No person licensed or authorized to perform any function under this Act shall—

(1) commit any offense prohibited by subsection (a);

(2) knowingly perform improperly any official sampling or other official inspection or weighing function under this Act;

(3) knowingly execute or issue any false or incorrect official certificate or other official form; or

(4) accept money or other consideration, directly or indirectly, for any neglect or improper performance of duty.

(c) An offense shall be deemed to have been committed knowingly under this Act if it resulted from gross negligence or was committed with knowledge of the pertinent facts.

(d)(1) Subject to paragraphs (2) and (3), to ensure the quality of grain marketed in or exported from the United States—

(A) no dockage or foreign material, as defined by the Secretary, once removed from grain shall be recombined with any grain; and

(B) no dockage or foreign material of any origin may be added to any grain.

(2) Nothing in paragraph (1) shall be construed to prohibit—

(A) the treatment of grain to suppress, destroy, or prevent insects and fungi injurious to stored grain;

(B) the marketing, domestically or for export, of dockage or foreign material removed from grain if such dockage or foreign material is marketed—

(i) separately and uncombined with any such whole grain;

(ii) in pelletized form; or

(iii) as a part of a processed ration for livestock, poultry, or fish;

(C) the blending of grain with similar grain of a different quality to adjust the quality of the resulting mixture;

(D) the recombination of broken corn or broken kernels, as defined by the Administrator, with grain of the type from which the broken corn or broken kernels were derived;

(E) effective for the period ending December 31, 1987, the recombination of dockage or foreign material, except dust, removed at an export loading facility from grain destined for shipment as a cargo under one export official certificate of inspection if—

(i) the recombination occurs during the loading of the cargo;

(ii) the purpose is to ensure uniformity of dockage or foreign material throughout that specific cargo; and

(iii) the separation and recombination are conducted in accordance with the regulations issued by the Administrator, or

(F) the addition to grain of a dust suppressant, or the addition of confetti or any other similar material that serves the same purpose in a quantity necessary to facilitate identification of ownership or origin of a particular lot of grain.

(3)(A) The Secretary may, by regulations, exempt from paragraph (1) the last handling of grain in the final sale and shipment of such grain to a domestic user or processor if such exemption is determined by the Secretary to be in the best economic interest of producers, grain merchants, the industry involved, and the public.

(B) Grain sold under an exemption authorized by this paragraph shall be consumed or processed into one or more products by the purchaser, but may not be resold into commercial channels for such grain or blended with other grain for resale. Neither products nor byproducts derived therefrom (except vegetable oils as defined by the Secretary and used as a dust suppressant) shall be blended with or added to grain in commercial channels.

(e)(1) The Administrator may prohibit the contamination of sound and pure grain through the introduction of nongrain substances, toxic grain that exceeds action limits established by the Food and Drug Administration and grain having residues that exceed the tolerance levels established by the Environmental Protection Agency, or unmerchantable grain to the extent that its combination with grades 3 or better will preclude the resultant combination from meeting the performance levels expected of the grades, if the Administrator determines that the action is practical and necessary to provide that grains marketed as No. 3 or better are safe and meet the performance levels expected of the grades as is required by section

4(c)(1). No prohibition imposed under this section shall be construed to restrict the marketing of any grain so long as the grade or condition of the grain is properly identified.

(2) Prior to taking action under this paragraph, the Administrator shall follow established rule-making procedures, including the solicitation of public comment, in identifying and defining actions and conditions that are subject to prohibition. In no case shall the Administrator prohibit the blending of an entire grade of grain.

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COMMODITY CREDIT CORPORATION CHARTER ACT

* * * * * * *

SEC. 5. SPECIFIC POWERS.—In the fulfillment of its purposes and in carrying out its annual budget programs submitted to and approved by the Congress pursuant to Chapter 91 of Title 31, the Corporation is authorized to use its general powers only to—

(a) support the prices of agricultural commodities through loans, purchases, payments, and other operations;

(b) make available materials and facilities required in connection with the production and marketing of agricultural commodities;

(c) procure agricultural commodities for sale to other Government agencies, foreign governments, and domestice, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements;

(d) remove and dispose of or aid in the removal or disposition of surplus agricultural commodities;

(e) increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the develoment of new and additional markets, marketing facilities, and uses for such commodities;

(f) export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities (including fish and fish products, without regard to whether such fish are harvested in aquacultural operations); and (g) carry out such other operations as the Congress may specifically authorize or provide for,

in the Corporation's purchasing and selling operations with respect to agricultural commodities (except sales to other Government agencies), and in the warehousing, transporting, processing, or handling of agricultural commodities, the Corporation shall, to the maximum extent practicable consistent with the fulfillment of the Corporations purposes and the effective and efficient conduct of its business, utilize the usual and customary channels, facilities, and arrangements of trade and commerce. *In carrying out its activities, the Commodity Credit Corporation shall, when practical, provide for program provisions that promote quality in the production and marketing of crops and livestock in the United States.*

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TITLE 5, UNITED STATES CODE

§ 3132.Definitions and exclusions.

(a) For the purpose of this subchapter—

(1) "agency" means an Executive agency, except a Government corporation and the General Accounting Office, but does not include—

(A) any agency or unit thereof excluded from coverage by the President under subsection (c) of this secttion; or

(B) the Federal Bureau of Investigation, the Drug Enforcement Administration, the Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and, as determined by the President, an Executive agency, or unit thereof, whose principal function is the conduct of foreign intelligence or counterintelligence activities.

(C) the Federal Election Commission; or

(D) the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Housing Finance Board, the Resolution Trust Corporation *the Farm Credit Administration,* and the National Credit Union Administration;

* * * * * * *

§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Deputy Administrator of General Services.

Associate Administrator of the National Aeronautics and Space Administration.

Assistant Administrators, Agency for International Development (6).

Regional Assistant Administrators, Agency for International Development (4).

Under Secretary of the Air Force.

Under Secretary of the Army.

Under Secretary of the Navy.

Assistant Secretaries of Agriculture (5)

Assistant Secretaries of Commerce (8).

Assistant Secretaries of Defense (7).

Assistant Secretaries of the Air Force (3)

Assistant Secretaries of the Army (4).

Assistant Secretaries of the Navy (3).

Assistant Secretaries of Health and Human Services (4).

Assistant Secretaries of the Interior (6).

Assistant Attorneys General (10).

Assistant Secretaries of Labor (5).

Assistant Secretaries of State (13)

Assistant Secretaries of the Treasury (5).

Members, United States International Trade Commission (5).

Assistant Secretaries of Education (6).
General Counsel, Department of Education
Inspector General, Department of Education.
Director of Civil Defense, Department of the Army.
Deputy Director of the Office of Emergency Planning.
Deputy Director of the Office of Science and Technology.
Deputy Director of the Peace Corps.
Deputy Director of the United States Arms Control and Disarmament Agency.
Deputy Director of the United States Information Agency.
Assistant Directors of the Bureau of the Budget (3).
General Counsel of the Department of Agriculture.
General Counsel of the Department of Commerce.
General Counsel of the Department of Defense.
General Counsel of the Department of Health and Human Services.
Solicitor of the Department of the Interior
Solicitor of the Department of Labor.
General Counsel of the National Labor Relations Board.
Counselor of the Department of State.
Legal Adviser of the Department of State.
General Counsel of the Department of the Treasury.
First Vice President of the Export-Import Bank of Washington.
Special Representative for Arms Control and Disarmament Negotiations, United States Arms Control and Disarmament Agency.
Members, Civil Aeronautics Board.
Members, Council of Economic Advisers.
Members, Board of Directors of the Export-Import Bank of Washington.
Members, Federal Communications Commission.
Member, Board of Directors of the Federal Deposit Insurance Corporation.
Members, Federal Home Loan Bank Board.
Members, Federal Energy Regulatory Commission.
Members, Federal Trade Commission.
Members, Interstate Commerce Commission.
Members, National Labor Relations Board.
Members, Securities and Exchange Commission.
Members, Board of Directors of the Tennessee Valley Authority.
Members, Merit Systems Protection Board.
Members, Federal Maritime Commission.
Members, National Mediation Board.
Members, Railroad Retirement Board.
Director of Selective Service.
Associate Director of the Federal Bureau of Investigation, Department of Justice.
Members, Equal Employment Opportunity Commission (4).
Chief of Protocol, Department of State.
Director, Bureau of Intelligence and Research, Department of State.
Director, Community Relations Service.

United States Attorney for the District of Columbia.
United States Attorney for the Southern District of New York.
Members, National Transportation Safety Board.
General Counsel, Department of Transportation.
Deputy Administrator, Federal Aviation Administration.
Assistant Secretaries of Transportation (4).
Director of Public Roads.
Administrator of the St. Lawrence Seaway Development Corporation.
Assistant Secretary for Science, Smithsonian Institution.
Assistant Secretary for History and Arts, Smithsonian Institution.
Deputy Administrator of the Small Business Administration.
Assistant Secretaries of Housing and Urban Development (8).
General Counsel of the Department of Housing and Urban Development.
Commissioner of Interama.
Deputy Administrator for Policy Development of the Law Enforcement Assistance Administration.
Federal Insurance Administrator, Department of Housing and Urban Development.
Executive Vice President, Overseas Private Investment Corporation.
Members, National Credit Union Administration Board (2).
Members, Postal Rate Commission (4).
Members, Occupational Safety and Health Review Commission.
Deputy Director of the Office of Drug Abuse Policy.
Deputy Under Secretary of the Treasury (or Assistant Secretaries of the Treasury) (2).
Members, Consumer Product Safety Commission (4).
Commissioner of Social Security, Department of Health and Human Services.
Assistant Secretary for Oceans and International Environmental and Scientific Affairs, Department of State.
Administrator for Federal Procurement Policy.
Members, Commodity Futures Trading Commission.
Director of Nuclear Reactor Regulation, Nuclear Regulatory Commission.
Director of Nuclear Material Safety and Safeguards, Nuclear Regulatory Commission.
Director of Nuclear Regulatory Research, Nuclear Regulatory Commission.
Executive Director for Operations, Nuclear Regulatory Commission.
President, Government National Mortgage Association, Department of Housing and Urban Development.
Deputy Administrator, National Oceanic and Atmospheric Administration.
Commissioner of Immigration and Naturalization, Department of Justice.
Associate Administrator, National Oceanic an Atmospheric Administration.

United States attorney for the Northern District of Illinois.
United States attorney for the Central District of California.
Director, Bureau of Prisons, Department of Justice.
Deputy Administrator for Administration of the Law Enforcement Assistance Administration.
Assistant Secretaries of Energy (8).
General Counsel of the Department of Energy.
Administrator, Economic Regulatory Administration, Department of Energy.
Administrator, Energy Information Administration, Department of Energy.
Inspector General, Department of Energy.
Director, Office of Energy Research, Department of Energy.
Assistant Secretary of Labor for Mine Safety and Health.
Members, Federal Mine Safety and Health Review Commission.
President, National Consumer Cooperative Bank.
Assistant Secretary for International Narcotics Matters, Department of State.
Inspector General, Department of Health and Human Services.
Director, Office of Self-Help Development and Technical Assistance, National Consumer Cooperative Bank.
Inspector General, Department of Agriculture.
Special Counsel of the Merit Systems Protection Board.
Inspector General, Department of Housing and Urban Development.
Chairman, Federal Labor Relations Authority.
Inspector General, Department of Labor.
Inspector General, Department of Transportation.
Inspector General, Veterans' Administration.
Deputy Director, Institute of Scientific and Technological Cooperation.
Director of the Office of Ground Water Policy Coordination.

INTERNAL REVENUE CODE OF 1986

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SEC. 126. CERTAIN COST-SHARING PAYMENTS.

(a) GENERAL RULE.—Gross income does not include the excludable portion of payments received under—

(1) The rural clean water program authorized by section 208(j) of the Federal Water Pollution Control Act (33 U.S.C. 1288(j)).

(2) The rural abandoned mine program authorized by section 406 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1236).

(3) The water bank program authorized by the Water Bank Act (16 U.S.C. 1301 et seq.).

(4) The emergency conservation measures program authorized by title IV of the Agricultural Credit Act of 1978.

(5) the agricultural conservation program authorized by the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a).

(6) The great plains conservation program authorized by section 16 of the Soil Conservation and Domestic Policy Act (16 U.S.C. 590p(b)).

(7) The resource conservation and development program authorized by the Bankhead-Jones Farm Tenant Act and by the Soil Conservation and Domestic Allotment Act (7 U.S.C. 1010; 16 U.S.C. 590a et seq.).

(8) The forestry incentives program authorized by [section 4] *section 5* of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2103).

(9) Any small watershed program administered by the Secretary of Agriculture which is determined by the Secretary of the Treasury or his delegate to be substantially similar to the type of programs described in paragraphs (1) through (8).

(10) Any program of a State, possession of the United States, a political subdivision of any of the foregoing, or the District of Columbia under which payments are made to individuals primarily for the purpose of conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife.

(b) EXCLUDABLE PORTION.—For purposes of this section—

(1) IN GENERAL.—The term "excludable portion" means that portion (or all) of a payment made to any person under any program described in subsection (a) which—

(A) is determined by the Secretary of Agriculture to be made primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife, and

(B) is determined by the Secretary of the Treasury or his delegate as not increasing substantially the annual income derived from the property.

(2) PAYMENTS NOT CHARGEABLE TO CAPITAL ACCOUNT.—The term "excludable portion" does not include that portion of any payment which is properly associated with an amount which is allowable as a deduction for the taxable year in which such amount is paid or incurred.

(c) ELECTION FOR SECTION NOT TO APPLY.—

(1) IN GENERAL.—The taxpayer may elect not to have this section (and section 1255) apply to any excludable portion (or portion thereof).

(2) MANNER AND TIME FOR MAKING ELECTION.—Any election under paragraph (1) shall be made in the manner prescribed by the Secretary by regulations and shall be made not later than the due date prescribed by law (including extensions) for filing the return of tax under this chapter for the taxable year in which the payment was received or accrued.

(d) DENIAL OF DOUBLE BENEFITS.—No deduction or credit shall be allowed with respect to any expenditure which is properly associated with any amount excluded from gross income under subsection (a).

(e) BASIS OF PROPERTY NOT INCREASED BY REASON OF EXCLUDABLE PAYMENTS.—Notwithstanding any provision of section 1016 to the

contrary, no adjustment to basis shall be made with respect to property acquired or improved through the use of any payment, to the extent that such adjustment would reflect any amount which is excluded from gross income under subsection (a).

* * * * * * *

ADDITIONAL VIEWS OF MR. LEAHY

On February 27, 1990, I chaired a full Committee hearing on "Hunger in America" and announced plans to introduce, with Congressman Panetta, Chairman of the House Budget Committee, a comprehensive nutrition bill.

The need for this hunger legislation is clear. It reflects the concerns not only of this Committee, but also Senator Sasser, Chairman of the Senate Budget Committee, and Senator Domenici, Ranking Minority Member of that Committee.

On April 20 of this year I introduced the "Mickey Leland Memorial Domestic Hunger Relief Act," S. 2489, with half the members of the Committee as original sponsors. Senators Harkin and Boschwitz, the Chairman and the ranking minority member of the Nutrition and Investigations Subcommittee, the Majority Leader of the Senate, and the Chairman of the Senate Budget Committee are sponsors of this important legislation.

This bill makes comprehensive and significant improvements in several vital nutrition programs. It also rejects administration proposals to cut funding for nutrition programs by over a half billion dollars per year.

Only the budget is holding up this important nutrition legislation from beginning the basis of the nutrition title of the farm bill. The administration has rejected funding for improvements of the nutrition programs as provided in the Mickey Leland bill.

As soon as the budget question is resolved, either through a joint budget resolution or in the 1990 budget summit agreement, I will move to take the nutrition bill to the floor of the Senate or, if possible, incorporate it in the overall farm bill legislation.

I have not moved to include a simple extension of our basic nutrition programs in this farm bill out of fear that such action would send the wrong message to the budget summit. I do not want the summit negotiators to assume that I or other members of this Committee are willing to just settle for extending these programs. Instead, we need to improve and save them. Indeed, unless we have additional budget authority, the Temporary Emergency Food Assistance Program (TEFAP) would effectively be killed.

The administration's proposed budget for FY 1991 would allow the United States Department of Agriculture (USDA) to terminate effectively the Temporary Emergency Food Assistance Program (TEFAP). I cannot agree to the administration's proposal. One of the most important provisions of the TEFAP Act is the provision requiring USDA to purchase $120 million worth of high protein foods for distribution to States so they can donate food packages to needy families.

Without that provision, USDA could only distribute surplus commodities which presently include only cornmeal, flour and butter. This hardly constitutes a balanced diet for a child or elderly citi-

zen. The administration wants to allow USDA to use up to the full $120 million, now earmarked to buy a variety of nutritious foods, to instead buy flour, cornmeal and butter from USDA surplus stockpiles. Those commodities already are being distributed under TEFAP.

Twelve to 15 million Americans depend on TEFAP. Almost fifty percent of TEFAP families contain children.

In addition to ending TEFAP, the administration wants to cut more families out of nutrition programs in Puerto Rico.

The administration is proposing major funding reductions for the school lunch and child care food programs.

The administration is not proposing increases in the Special Supplemental Food Program for Women, Infants and Children (WIC), in spite of recent reports of serious cutbacks for WIC as a result of increased food costs.

I am pleased that the Congress, in a bipartisan fashion, has not supported the proposed administration cuts and freezes.

I will continue my fight for adequate funding—for WIC and all nutrition programs.

The following is a brief summary and explanation of some of the provisions in the "Mickey Leland Memorial Domestic Hunger Relief Act" as introduced in the Senate on April 20, 1990.

EXPANDS TEFAP AND MAKES TEFAP A PERMANENT PROGRAM

Background: 12 million to 15 million persons a month depend on the Temporary Emergency Food Assistance Program (TEFAP). It now provides surplus foods (from USDA stockpiles of wheat, corn, butter, or other surplus commodities) and foods with high nutrient density (such as peanut butter, canned meats and beans) purchased by USDA under the Hunger Prevention Act.

This year 450 million pounds of commodities will be distributed to the needy under TEFAP. In fiscal year 1990, USDA will purchase 72 million pounds of peanut butter, 30 million pounds of canned pork, 38 million pounds of beans and 7 million pounds of raisins.

These commodities will be distributed along with the distribution of surplus commodities: 144 million pounds of flour, 48 million pounds of cornmeal, 72 million pounds of butter and 41 million pounds of honey.

Need: TEFAP is a vital safety net—families may have to wait up to 30 days for food stamps. The need for emergency food assistance has increased dramatically since 1980.

Almost half of TEFAP families contain children. Sixty percent of TEFAP participants are not on food stamps, and many elderly and rural residents don't apply for food stamps.

15,000 sites nationwide distribute these TEFAP commodities.

Solution: The bill requires USDA to purchase $120 million worth of nutritious foods, per year, for needy Americans. In 1993, 1994 and 1995 the bill authorizes increases in TEFAP funding up to $190 million per year.

UNCAP THE FOOD STAMP EXCESS SHELTER COST DEDUCTION

Background: Under current law, households may deduct shelter expenses that exceed 50% of their incomes, but only up to $177 a month. This "cap" of $177 is way too low and may force families to choose between paying rent and eating. (This "cap" of $177 does not apply to households containing an elderly and disabled person.)

Need: The most significant *new* problem faced by the poor is soaring housing costs. Homelessness among poor families with children has dramatically increased in recent years.

Forty-five percent of all poor renters in the U.S. were spending at least seventy percent of their income for housing costs (including rent and utilities).

Two-thirds of all poor renters were spending *at least half* of their income for housing. Yet in 1988, only 29 percent of all poor renter households received federal, state, or local housing assistance.

Solution: The bill thus increases the food stamp excess shelter cost deduction for 1991 and 1992, and "uncaps" it beginning in 1993.

IMPROVE INCENTIVES FOR CHILD SUPPORT

Background: A major cause of poverty among children is the low level of child support provided by many absent fathers.

For 1987, child support payments were received for only *14 percent of the families with children on AFDC.*

Need: Increased collections can reduce child poverty, and reduce the dependence on AFDC (and, thus, reduce federal costs). Increasing these collections could result in net savings to the government through reduced AFDC payments.

A key to tracking down absent fathers is often the efforts of the mother in helping authorities. Under current AFDC law, all child support payments go to the state except that the first $50 in child support, per month, can be kept by the mother (instead of just reducing her AFDC by $50). However, that first $50 counts against her food stamp assistance, thus reducing her family's food stamps so that the overall net gain for helping track down the father is reduced.

Solution: The bill makes the food stamp treatment the same as AFDC by disregarding from income the first $50 of child support paid to AFDC families. This should act as an incentive to encourage cooperation in tracking down absent spouses.

INCREASE BASIC FOOD STAMP LEVELS TO COVER INFLATION

Background: Food stamp benefits are based on the cost of purchasing a theoretical "market-basket" of foods for one month called the "Thrifty Food Plan." Since the creation of that plan in 1977 food price inflation has eroded the ability of food stamp recipients to buy the Thrifty Food Plan worth of food each month.

Need: The Hunger Prevention Act, of course, helped in that it based food stamp benefits on 103 percent of the cost of the "Thrifty Food Plan," starting in FY 1991.

Even that increase is not enough. Under current law, the cost of that plan in June of the *previous* fiscal year is used to determine benefits for each of the twelve months in the current year.

Over the 13 year history of the thrifty plan, the average cost of the plan in the last half of the fiscal year has exceeded the cost in the previous June by an average of 5.4 percent.

Using the cost of 105 percent of the Thrifty Food Plan, for June of the *previous* year, as the basic benefit level will normally assure that participants have benefits based on the cost of the Thrifty Food Plan for the month they receive the benefits.

Solution: The bill gradually increases the basic benefit level to 105% of the cost of the Thrifty Food Plan for June in the previous year.

INCREASE EMPLOYMENT AND TRAINING INCENTIVES

Additional employment and training incentives are provided to help assist in getting persons off food stamps and into the workforce. For example, child care reimbursements and deductions provided to assist parents in finding and keeping employment are increased to more realistic levels.

It is very important to help low-income families train for decent employment so that they can permanently get off welfare.

INCREASE THE AUTOMOBILE DEDUCTION FOR FOOD STAMPS

Need: President Reagan's Task Force of Food Assistance (1984) recommended that the automobile deduction for the food stamp program be increased to $5,500. They noted that it had not been increased since 1977 and that it was too low.

The Task Force pointed out that the limit of $4,500 denied benefits to some legitimately needy households.

Solution: The bill gradually increases the deduction to $5,500, and indexes it to inflation.

IMPROVE THE DEFINITION OF A FOOD STAMP HOUSEHOLD

Need: The current household definition is extremely complex, one and a half pages long, an obvious source of caseworker errors, and may contribute to homelessness.

Solution: The Act simplifies the definition of household and reduces the chances that its application will increase homelessness.

ELIMINATE THE GAP IN BENEFITS FOR HOUSEHOLDS REAPPLYING

Need: A June 1989 GAO report identified an unfair source of hardship in the food stamp program. Elderly, ill, disabled, or handicapped persons, otherwise eligible for food stamps, can unintentionally reapply after the deadline contained in the notice stating that the certification period is expiring.

If they reapply late they lose benefits for that period of time. That is unfair and administratively complex in that it requires States to calculate benefits based on prorations for parts of months.

Solution: The bill provides, at state option, that persons who reapply within 30 days of the expiration of the certification period, and *who were eligible* for benefits during that period, will get their food stamps for that whole period.

INCREASE MINIMUM ALLOTMENT

Need: One and two-person households now receive an minimum $10 per month food stamp allotment. This minimum benefit has not been increased in 12 years.

Solution: The bill would index the minimum benefit to inflation. This will help the elderly and disabled since households containing them constitute 87% of all those receiving the minimum benefit.

IMPROVE ACCESS TO PROGRAM IN RURAL AREAS

Need: Food stamp participation is low in many impoverished rural areas.

Solution: The bill contains several provisions designed to reduce barriers to participation in rural areas.

ALLOW HOMELESS TO USE FOOD STAMPS IN RESTAURANTS APPROVED TO PROVIDE THEM MEALS AT CONCESSIONAL PRICES

Need: Since homeless persons do not normally have cooking facilities it would be helpful to allow them to use food stamps at restaurants that contract with the state to provide low-cost, nutritious meals.

Solution: The bill establishes such a program.

IMPROVES NUTRITION ASSISTANCE PROGRAM IN PUERTO RICO

The bill increases funding for the "Nutrition Assistance Program" in Puerto Rico which is the alternative to food stamps for low-income families living in Puerto Rico.

IMPROVES NUTRITION PROGRAMS ON INDIAN RESERVATIONS

The bill increases the level of assistance provided by the Food Distribution Program on Indian Reservations and establishes an "Indian Nutrition Gardening Program." Both of these improvements will mean that low-income residents of reservations will be able to receive a much greater variety of nutritious foods.

PROGRAM INTEGRITY

The bill includes tough criminal penalties for food stamp fraud and tightens up requirements for retail store participation in the program.

ADDITIONAL VIEWS OF MR. HARKIN

This legislation, embodying the basic food and fiber policies of our Nation for the next five years, will touch the lives of all Americans and a good many people outside our country. Modern farm bills are called upon to address a seemingly ever-widening range of issues beyond the core commodity programs: trade policy, research, conservation and others. But plainly, the impact of this farm bill will be felt most immediately by farm families and people in small towns across rural America.

FARM INCOME: THE MOST IMPORTANT FARM BILL ISSUE

American farm families are at work day in and day out, year after year, making sure that this Nation has abundant and dependable supplies of safe food at reasonable cost. Thanks to the hard work and efficiency of our agricultural producers, American consumers spend a lower percentage of their income on food than consumers in any other country, only about 10.4 percent according to USDA.

There is a tension, though, between low-cost food and sustaining the system that produces it. Without sufficient income, our farmers cannot stay in business and the food production system we have come to depend upon simply cannot survive. When the market is not providing adequate returns to farmers, farm programs are needed to fill the income gap. Simply put, our farm programs have helped to develop and maintain an agricultural system that provides food at such low cost.

Hence, in my view, there is no more important issue in the farm bill than the effect it will have upon farm income. The past decade has demonstrated once again that low levels of farm income bring economic devastation and real human tragedy to rural communities. Adequate farm income is the lifeblood of the rural economy: when farm income falls the effect is felt not only on farms, but up and down Main Street and across all of rural America. Moreover, American agriculture must be economically sound in order to compete successfully for foreign markets.

A study released by the Congressional Budget Office in April of this year provides some disturbing projections for farm income over the period of time encompassed by the farm bill we are now crafting. CBO projects that in real dollars, farm net cash income will fall 29 percent from 1988 to 1995, while net farm income will fall 21 percent in this same period in real dollars. The CBO projections assume no further declines in commodity target prices.

In light of projections of this nature, it behooves us to examine carefully whether the policies we are crafting are adequate for the needs of farm families and agriculture over the life of the new farm bill.

THE NEED FOR A FULL FIVE-YEAR FARM BILL

Throughout our work on this legislation, significant doubts have been expressed by some about the need for or desirability of a full five-year farm bill. The most likely alternative cited is a one-year extension of the current law.

For several reasons, I have strongly favored a new five-year bill from the outset. Farming is uncertain enough as it is, with huge variables of weather, insects, disease, markets and shifts in the general economy. Farmers should not face the additional uncertainty created by a one-year farm bill. A long-term farm bill also helps to promote relatively more stable supplies and prices of commodities, which is an important consideration from the consumer standpoint.

While some have argued that a one-year farm bill extension would be an appropriate interim measure while we await the outcome of the GATT negotiations, I believe just the opposite is true. A one-year farm bill would undermine our position in the GATT negotiations by sending the signal that we are unprepared to commit ourselves to a long-term policy of standing behind our farmers in the battle against the unfair trade barriers posed by the farm policies of other countries.

Moreover, a one-year farm bill would simply set the stage for a U.S. farm bill dictated by deals made at a GATT negotiating table in another country. To be acceptable, any new trading rules and arrangements arising from the GATT negotiations must be fair and advantageous to American farmers. For that reason, I have worked for a full five-year farm bill written here based on the best interests of our country and our farmers. If the GATT negotiations produce agreements that are good for our country and our farmers we can then change our farm programs accordingly.

A COMPROMISE FARM BILL

In Committee meetings and other forums, it was made abundantly clear that it would be exceedingly difficult, if not impossible, to obtain passage of a farm bill lacking bipartisan support. In view of the critical importance of enacting a full five-year farm bill this year, it became evident that compromises would be required to achieve the kind of bipartisan support that would allow the Committee to report a bill that could move forward on the Senate floor.

As with any compromise, the bill reported by the Committee is far from perfect, and I will continue to work to improve it. It nevertheless contains a number of good provisions, including several improvements over current law in the commodity provisions of the bill: an end to the progressive decline in target prices and loan rates, a marketing loan at the basic loan rate or an advance Findley payment for wheat and feed grains, a mechanism to protect a portion of estimated deficiency payments against market price increases, a new oilseeds loan program, a higher oats target price, the targeted option payment program, greater planting flexibility and a pilot bushel-based program.

I am disappointed that the Committee did not approve the indexing of target prices and the dairy support price to reflect inflation or increased costs of production. Frozen or declining target and

support prices mean lower real income for farm families. I see no reason why farm families should not have some protection against inflation, as do other sectors of our economy. The limitations of the federal budget are obviously a factor on this point, but agriculture spending has declined significantly in recent years, leaving current levels of agriculture spending, as a share of federal outlays, quite low by historical standards.

In addition, I regret that the bill does not provide a straightforward increase in loan rates for wheat and feedgrains, which would allow farmers to receive more bankable cash at harvest time when they need it and less in the form of deficiency payments that are not paid until a number of months after harvest. Proposals for such loan rate increases were offered during markup that clearly would not erode the competitiveness of U.S. commodities in world markets, yet these proposals were nevertheless rejected.

As with many of the provisions of the bill, the planting flexibility provisions reflect a compromise. I would have preferred considerably more flexibility along the lines of the normal crop acreage approach contained in legislation I joined in introducing earlier this year. The compromise flexibility provisions contained in the bill do, however, give farmers significantly more freedom to make their own planting decisions. In addition to allowing a shift of 25 percent of program crop base acres, the bill will allow the planting of industrial and experimental crops on ARP acres and give farmers the opportunity to increase or decrease their ARP levels under the targeted option payment program. I have not favored proposals that provide for the payment of deficiency payments on program crop base acres planted to other crops because such proposals hold the potential for significant disruption of planting patterns, break the traditional link between program benefits and production which is the basis for our farm programs and move farm programs in a direction that may well erode the rationale and support for their continuation at current levels. As this legislation moves forward, however, we should continue to look for additional opportunities to provide planting flexibility.

Significant progress has been made in various other titles of the bill as well. The conservation title contains a major new agricultural water quality incentive program which will provide payments to farmers to encourage them to adopt practices that reduce the potential for contamination of ground water and surface water. I proposed this program because it relies on incentives, rather than regulation, and because it emphasizes practices that improve both environmental quality and the farmer's bottom line. I favor incentives and education, and have concerns about imposing additional regulatory, recordkeeping and paperwork burdens on farmers. The conservation title also includes a major compromise which strikes a balance between agricultural production and wetlands conservation and improvements in the Conservation Reserve Program favoring wetlands restoration and tree planting.

The bill also contains a strong research title, including a program to increase research into and commercialization of non-food uses of agricultural commodities, which holds a large potential for expanding the markets for agricultural commodities.

In sum, although the bill has its deficiencies, it also contains many good provisions and I am hopeful that we will be able to make improvements as it moves forward.

ADDITIONAL VIEWS OF MR. CONRAD

I am very pleased that we have finally reached a compromise on the commodity programs in the 1990 farm bill. It is critical that our farmers have a decent farm bill in place to meet the challenges of the 1990s.

This is not the best farm bill we could have developed, but it is stronger than the 1985 farm bill. I do not like all of the provisions of this compromise. It does not do enough to protect farmers from rising production costs because it fails to index target prices. It also fails to increase loan rates enough.

The need for a strong farm bill is clear. Net farm income in the 1980s fell to the lowest level, in real dollars, since record keeping began in 1910. The value of farm assets declined by $500 billion between 1981 and 1987, and farmers were forced to live off of their assets. As a consequence, net investment in agriculture plant and equipment (depreciable assets) was negative throughout the 1980s—a drop, in real dollars of approximately $8 to $9 billion per year from the average for the 1970s.

In addition to the severe drop in income and assets in the 1980s, U.S. farmers faced an aggressive trade war and rigid trade barriers from our competitors in Europe, Japan, and other nations. While the European Economic Community (EEC) has declared a trade war in agriculture, our government has sharply reduced support for agriculture under the 1985 farm bill. EEC supports its sunflower producers at $0.25 per pound; soybeans at $15.00 per bushel; durum at $9.50 per bushel; wheat at $6.50 per bushel; and corn at $5.50 per bushel—all support levels are far above world prices and support levels in the U.S. A strong farm bill would challenge the EEC for markets—this bill is no more than an attempt to hold our own. Since 1985, real levels of support in the U.S. have dropped by one-fourth or more.

Moreover, the outlook for farm income in the 1990s is sobering. A study by the bipartisan Congressional Budget Office indicates that net cash income will decline 29% by 1995 and net farm income by 21% under a simple extension of the 1985 farm bill.

Like many of my colleagues, I realize that budget limitations will prevent significant increases in target prices, particularly in the current climate of hostility towards agriculture in the U.S. Congess. We fought to raise target prices and loan rates to partially insulate farmers from further inflation, but the majority of the Committee disagreed. I would not hesitate to propose raising target prices again if I thought we could obtain a majority.

This compromise does, however, stop the sharp decline in target prices and offers our producers more opportunities and more flexibility to make a profit than the rigid 1985 farm bill.

On the positive side, this bill provides much greater income protection for producers of oilseeds. For the first time, the farm pro-

gram will provide an underlying level of income protection for producers of oilseeds. This provision is critical if the U.S. is to be successful in competing for market share in the world oilseed market which is growing at 5% per year. In my state, the EC's high level of support for oilseeds, particularly sunflowers and canola, nearly drove the oilseed industry to bankruptcy. This legislation will prevent that from happening again. In addition, it provides producers with more alternative crops with income protection—soybeans, sunflowers, safflower, flax, and canola. Demand for oilseeds like sunflowers, safflower, and canola is growing—this legislation will help establish these new industries in the U.S.

U.S. producers have also lost oats production and market share under the 1985 bill. We have become major importers of oats in spite of the fact that we have the capacity to produce more oats than we can use. This legislation raises the support level for oats in $0.10 annual increments until $1.85 is reached in 1994. This is a plus for our farmers and our trade balance.

The legislation corrects an inequity in the calculation of the barley deficiency level by limiting the impact of malting barley prices on the national average price of barley calculated for purposes of determining deficiency payments. Under this legislation, the Secretary may not include malt barley prices in excess of $0.22 above the feed barley price for determining the national average price. This will prevent a repeat of 1988 and 1989, when malt barley prices averaged $1 or more above feed barley prices, raising the average barley price and virtually eliminating the deficiency for barley. Feed barley producers who received low market prices (far below the target price) were denied deficiency payments because of the high price of malt barley.

Farmers are not only given more flexibility in what they can plant, farmers are given the opportunity to design their own farm program by selecting levels of set-asides and target prices which fit their farms. Under the Targeted Option Payment program (TOPP), farmers may increase their set-asides (up to 15% for wheat producers and 10% for feedgrains producers) and receive an increase in their deficiency payments of 0.5 to 1.0% for each percentage increase in set-aside. Farmers who wish to lower their set-asides can do so by accepting a lower support level. This program helps North Dakota farmers who need to summer fallow land to build moisture and allows them to raise their own target prices.

This bill also makes some progress in modifying the conservation provisions under swampbuster to make them fairer to farmers. In spite of the improvements, I strongly feel that the changes did not go far enough and I voted against the Conservation Title of this farm bill. I continue to believe the swampbuster provisions are unfair to farmers and that the penalties are far too severe. However, producers can now work with the Soil Conservation Service (1) to determine whether draining nuisance spots will have a "minimal effect on wetland values" and (2) whether or not mitigation will be required to offset the loss of minimal wetland values. In addition, first time violaters of the swampbuster rules are subject to a less draconian penalty than in current law. This is progress over the 1985 bill.

This bill also establishes a non-profit corporation, the Alternative Agricultural Research and Commercialization Corporation (AARCC), to provide financial assistance for the development and commercialization of new industrial products made from agricultural commodities.

This proposal represents three years of effort by Senator Harkin and me to speed the new industrial product ideas to the marketplace.

I believe that the commercialization and marketing of new industrial products derived from agricultural commodities represents a great opportunity for our nation to: (1) create new jobs and increase rural economic development; (2) increase the demand for our farmers agricultural production, increasing agricultural diversity, benefiting rural businesses and communities and reducing the need for federal crop subsidies; (3) make us more competitive in the world economy, improving our trade balance; and (4) reduce pollution by providing industrial products derived from renewable resources which are safer for the environment.

In spite of the billions of dollars we have spent on agricultural research to develop new industrial products, we are not commercializing many of these new products because of the high costs and risks associated with commercialization, and the lack of coordination of the sectors which must participate in these ventures. AARCC is intended to overcome the obstacles which impede the ability of American businessmen to develop and commercialize these new industrial products. This bill firmly establishes a national policy to promote and assist the private sector in the commercialization of the products developed through our agricultural research.

Reform of the Farmers Home Administration has been one of my top priorities. This bill includes a program to return the Farmers Home Administration to its role of providing supervised credit to beginning and financially-troubled farmers. The success of FmHA farmer loan programs in past decades has been largely due to good supervision. However, the agency has strayed from that role. The Committee believes it is necessary for FmHA to again increase its supervision in order for the agency to meet its mission to provide short term credit and assistance to beginning and financially troubled borrowers in order to enable them to build the skills and equity needed to achieve a successful farm business and to compete for commercial credit.

This bill provides a systematic program to ensure this mission is met. This program includes borrower training in financial and farm management, increased training of FmHA employees and County Committees, and more frequent review of borrowers' financial situation in order to find and resolve financial problems before they lead to bankruptcy.

This legislation also requires FmHA to plan for a borrower's graduation to private credit from the day the borrower receives his first loan. It authorizes FmHA to contract with third parties, including credit counseling services, community colleges and the Extension Service, to assist it in these activities. These provisions should go a long way toward insuring that FmHA makes good loan

decisions and properly oversees loans. It ensures that borrowers receive the assistance they need to graduate to private credit.

Finally, the bill gives beginning farmers a preference for the purchase of FmHA inventory property. In addition, it corrects problems which have arisen from the implementation of the Agricultural Credit Act of 1987, and clarifies Congressional intent.

In closing, let me repeat that I do not think this bill is enough. It is the most we can do in the current budget situation. It does not accomplish all that I believe is needed—it falls short of the bill that I introduced with Senators Kerrey, Exon, Harkin and Daschle. However, given the severe budget pressure, in my judgement it was more important to move quickly with the best possible package. In particular, the bill is a significant improvement over current law and the version of the 1990 farm bill passed by the House Committee on Agriculture. I also believe that the AARRC program to commercialize new industrial products from agricultural commodities will have a positive long-term benefit for agriculture.

I will vote for this bill at this time. If it is substantially changed on the floor or in conference with the House of Representatives, I reserve the right to vigorously oppose it.

SEC. 12606. WETLAND CONSERVATION

In reference to the meaning, interpretation, and intent of the term "minimal effects" in the wetlands conservation provisions, the following statements by Chairman Patrick Leahy, Senator Kent Conrad, James Cubie of the Senate Agricultural Committee staff, and Dr. Bruce Gardner of the USDA, which are taken from the transcript of the markup of the Conservation Title (pp. 18–21 of the official transcript), will provide guidance to the USDA in implementation:

> Senator CONRAD. Mr. Chairman, if the members of the committee would allow, I would like if possible to hear from both staff and representatives of USDA on what their interpretation of the minimal effects provisions are, and what they anticipate this would mean in real world practice.
>
> The CHAIRMAN. We will start with staff. Go ahead, Jim.
>
> Mr. CUBIE. The 1985 act has a minimal effect determination permitted in it. But because of the very narrow report language, the department has made a minimal use of it. In drafting this minimal effects provision, we have added two words, "functional" and "value," to the minimal effect determination. The present statute says it has a minimal effect on the hydrological and biological aspect of the wetland, which is a much more narrow and technical word. "Functional" and "value" provide the department the room to use the minimal effect determination.
>
> There is a second minimal effect determination possible with mitigation. That is now presently done by the department in extremely limited situations because of questions on their own about whether they have the legal authority to do it. This legislation would clearly give them the authority to do minimal effect with mitigation on a prior

converted wetland provided the other provisions in the statute are dealt with.

The CHAIRMAN. Could the head of the department speak to this, too, please?

Dr. GARDNER. Well, as Mr. Cubie said, the 1985 act provisions did give us extremely tight restrictions on the use of minimal effect either with no mitigation or mitigation. We do think that the compromise reached will allow us to be realistic in looking on a case by case basis at these determinations and using it where appropriate.

Senator CONRAD. Is it the department's conclusion in looking at this legislation that the minimal effects provisions as they would operate in the real world would allow the department to make determinations that in many cases would allow a minimal effects determination for farm producers? That this is something that could frequently be used to deal with a situation out on the farm?

Dr. GARDNER. Well, how frequently would depend on the functional significance of the case we are talking about. So I do not think we could say what the number of such cases would be, but if there is no functional significant effect on wildlife or wetland values, other wetland values, then we are free to make the minimal effect determination.

Senator CONRAD. And how would that be interpreted? How would that be determined?

Dr. GARDNER. You mean how would the functional significance be determined?

Senator CONRAD. Right.

Dr. GARDNER. Well, I think that is to be worked out, but the instruction here, it seems to me, is to say if there are essentially no significant wetland values lost, then we could have minimal effect with no mitigation. Possibly in other cases, there may be some mitigation required.

The CHAIRMAN. But Mr. Gardner, you have—I mean the point, though, just so everybody will understand looking at this, your people have very specific criteria on minimal effect. I mean that is part of their training and part of their manuals and operation and so on; is it not?

Dr. GARDNER. Yes, but up to this point, it has been extremely stringent on what is minimal. So much so that there have been less than 200 cases throughout the United States through the period of the 1985 act.

Senator CONRAD. Well, that is what I am trying to ascertain. I mean as this language is written, is it not your interpretation that this would allow a significant expansion of minimal effects determination? That that is the underlying intent of this legislation?

Dr. GARDNER. The intent is to allow cropped wetlands that have no significant wetlands values to be drained.

Senator CONRAD. And that provides you a significant expansion from the authority you previously had, does it not?

Dr. GARDNER. I believe so.

In drafting this provision, the Committee intended to give the Secretary the authority to allow farmers to drain cropped wetlands which have minimal wetland value without mitigation in many cases and with mitigation in others. Clearly small areas of farm land that are cropped most years, except for extremely wet years, and which hold water for only a short period after a heavy rain or after Spring snow melt, and which have little wetland value may, with the permission of the Secretary through the Soil Conservation Service office, be drained, possibly without mitigation. Many of these so called wetlands are farmed every year, but occasionally puddle after heavy rains. Such "nuisance spots" have little or no wetland value, but create a large economic loss to farmers. This legislation allows the Secretary much greater flexibility to allow draining with or without mitigation.

The underlying principal of this legislation is to allow draining with or without mitigation when wetland values are minimal compared to the economic value to farmers. While no specific cost-benefit analysis is called for, the purpose of this legislation is to return some balance to the decision of whether or not to save cropped wetlands which have little wetland value and substantial crop land value. Cropped wetlands with little wetland values may be drained, with the Secretary's permission, under this provision. This is a substantial change from the 1985 legislation on this topic.

An additional legislative change is to reduce the penalty for first time violations of the "swampbuster" and "sodbuster" laws during each 10 year period. While this is progress, it is inadequate because it fails to provide a penalty provision commeasurate with the seriousness of the violation. A second violation, no matter how small or how inadvertant, requires the elimination of all program benefits as the penalty. While it may seem to some that it is difficult to violate the "swampbuster" and "sodbuster" laws inadvertantly, it is not. Many of the so-called swamps being protected in the Northern Prairie Pothole states are little more than slight depressions in large fields which occassionally hold water but are normally farmed. These small, "nuisance" wetlands can be accidently drained by cleaning an existing drainage ditch (a permitted activity) a few inches too deep. The Northern Plains States contain literally tens-of-thousands of drainage ditches which must be cleaned every year or so. It is not the intent of the penalty provisions to punish farmers who make small mistakes in carrying out normal farming operations. The Secretary should use a "rule-of-reason" in applying the penalty, even for second violations within the ten year period.

It would also be useful for the Secretary to keep careful records of the seriousness of "swampbuster" and "sodbuster" violations and the size of the penalties relative to those violations.

Section 13119 of Title XIII, would shift funding from the Farmers Home Administration's (FmHA) direct loan program to the guaranteed loan program, and require the use of interest assistance under the interest rate reduction program amended by Section 13119 on loans made from the funds so shifted.

The shift in funding from FmHA's direct to guaranteed lending mandated by the Committee is a very large cut in the FmHA's direct loan program. It is my understanding that this shift is in-

tended by the Committee to be taken from appropriations which are assumed to approximate the Congressional Budget Office's January 1990 baseline. The use of interest rate reduction assistance on loans so shifted will enable some farmers to qualify for guaranteed loans. However, interest assistance alone in the past has not helped all farmers make the transition to guaranteed loans, as the General Accounting Office and other organizations have testified. This shift from direct to guaranteed loans is much more than the experts believe is possible without denying credit to some farmers. Already, FmHA direct loan funding has dropped from $4.9 billion in FY 1985 to $1.6 billion in FY 1990. Further cuts, beyond those contemplated here, would undermine the basic mission of the program.

Farmers face extremely high real interest rates today. In many areas of the country, farmers have experienced several years of natural disasters, including droughts followed by floods. Ten of thousands of farmers depend on FmHA moderate interest rates to get them through difficult times. Young farmers depend on FmHA to help them start farming. There will continue to be a strong demand for direct FmHA loans. It is my hope that adequate funds will be made available to meet this demand.

ADDITIONAL VIEWS OF MR. WILSON

While the 1990 Farm Bill reported out of this committee represents, in general, sound farm policy, one aspect of this bill does not. The provision in the Dairy Title which requires all fifty states to adopt uniform manufacturing allowances is seriously flawed and promises to have a detrimental impact upon the federal dairy program, as well as the federal budget deficit.

Prohibiting states from determining their own manufacturing allowance ignores the varying market conditions which exist from state to state. In California, unique conditions prevail which have historically demanded that the State utilize generous manufacturing allowances. One of these conditions is the geographic isolation of California which has led to a higher make allowance in order to ensure an adequate return to manufacturers and thus, guarantee sufficient manufacturing capacity. Further, manufacturers in California confront higher production costs than those confronted by their counterparts in other states. Infringing on California's ability to determine its own manufacturing allowance would disrupt the carefully achieved equilibrium of the State's dairy market.

Proponents of the uniform manufacturing allowance base their support on the premise that lowering the manufacturing allowance in a state like California will decrease CCC purchases. However, the likely outcome is that sales to the CCC will increase once states have a federally-mandated make allowance imposed upon them. Increased purchases by the CCC mean great federal outlays and an increased budget deficit.

Specifically, a worsened federal deficit will occur because, in the case of California, dairy farmers will receive a greater return which will stimulate production. Consumer demand, however, will not match this heightened production, and California's excess supplies will be purchased by the CCC. A Congressional Budget Office study has estimated that the increased spending by the CCC that will occur when California's manufacturing allowance is lowered will be $51 million over the next five years.

In addition to augmenting the federal budget deficit and disrupting California's dairy market, the uniform manufacturing allowance seriously undermines a state's autonomy through federal preemption.

Clearly, the adverse repercussions of this provision demand that the issue be studied further. In times of severe budget austerity, implementing a provision that unnecessarily increases the federal deficit by $51 million is fiscally irresponsible. I strongly urge that

this Committee direct USDA to undertake a study to assess the state milk pricing program. The intent of such a study would be to determine whether a state's utilization of allowances different than those of the Federal government impacts detrimentally on the federal dairy program. If the Secretary determines that differential allowances are having negative consequences, the Secretary could mandate uniform marketing allowances.

MINORITY VIEWS OF SENATOR BAUCUS

I cast my vote against reporting out this farm bill because I don't believe it goes far enough to increase farm income.

Over the past decade, farm income was the lowest it has ever been since we started keeping records in 1910. During the 1910s, net farm income was $51 billion; in the 1930s it was $31 billion; in the 1950s, farmers made about $48 billion; in the 1970s they made $41 billion; and during the 1980s they made only $29 billion.

One of the major reasons farm income has been on the decline is that target prices have been going down, and farmer's costs have been going up.

A recent study by Congressional Budget Office concluded that farm income will decline by 21 percent over the next five years. It went on to conclude that if the Agriculture Committee does not act to increase the farm program over the current baseline, 500,000 farmers will be forced into bankruptcy.

Therefore, I believe this farm bill should have made real increases in target prices. These increases are imperative so that we as a Nation can continue to feed ourselves and much of the rest of the world.

At the very least, this bill should have provided farmers with protection against inflation.

According to statistics compiled by the Food and Agricultural Policy Research Institute at the University of Missouri, the cost of production on wheat rose from $56 per acre in 1986 to $65 in 1989. The cost of producing oats over that same period rose from $50 per acre to $60; and barley rose from $58 to $66.

FAPRI estimates that by the year 1999, the cost of producing wheat will increase by 63 percent; oats will increase by 62 percent; and barley by 64 percent.

Many farmers will not be able to withstand these cost increases.

That is why I have pushed so hard to index target prices to the CPI-U. We should at least ensure that farmers will be working under the same relationship of return-and-cost over the next five years as they will be when the 1990 farm bill passes.

I am also dissatisfied with the formula the bill contains to calculate barley deficiency payments. It is a step in the right direction, but it doesn't go far enough.

Either the USDA should use the malting value of barley when calculating the target price for all barley and keep them combined when determining the market price for deficiency payment purposes; or the USDA should separate feed barley from malting barley when determining the target price, but separate the two also when figuring the market price.

This is the only formula that make sense. Any formula short of this will continue to cheat feed barley producers out of higher deficiency payments.

Finally, I believe that this bill should have provided relief to barley producers who are being forced to repay advance deficiency payments from the 1988 and 1989 crop years. The repayment is based on the current faulty formula and is unfair.

MINORITY VIEWS OF MR. GORTON

Congress created farm programs to provide stability to an industry which is both fundamentally important to our nation's health and security but also extremely risky. This year, the Senate Committee on Agriculture, Nutrition and Forestry was asked to evaluate those programs and make alterations that would preserve the income and enhance the competitiveness of the American farmer.

This year's debate on the Farm Bill was shaped primarily by two factors. First, a desire within the Committee to write a Farm Bill independent of the ongoing negotiations in the General Agreement on Tariffs and Trade (GATT), and at the same time, a bill that nonetheless would move agriculture in the direction of greater market orientation. Second, the need to preserve farmers' incomes despite a shrinking agricultural budget. These parameters made development of the bill difficult and controversial.

In the end, I voted against the Farm Bill. I did so principally because I believed the Committee effectively did not ensure that the bill would remain within the budget. For example, in an effort to increase soybean production, the Committee created a program for soybeans. The estimated cost of this program has ranged from $100 million to $2 billion over the next five years. This program undoubtedly will take money away from those program crops for which government programs were originally created and intended.

In addition, rather than reform various secondary programs by either eliminating them altogether or establishing their support prices more in line with those of other commodities, the Committee maintained them with indexing for inflation or cost of production.

As a result of not making cuts that clearly are necessary, the Committee has made a hollow promise to farmers. The bill is estimated to be $1 billion over budget. To lower the cost of the bill, support prices will have to be reduced across the board. These cuts will impact adversely all crops, not just major commodities, to the detriment of farming and rural America.

I wholeheartedly support many of the other provisions in the bill. The research title, for instance, serves both the producer and consumer. Both will benefit through improved technology leading to increased production and food safety. The grain quality title will ensure that U.S. grain remains the best in the world. The trade title will assist in maintaining and expanding U.S. market share. Finally, included in a Farm Bill for the first time was a conservation title. There are additional titles, too, which I believe will prove helpful.

I hope that during floor consideration of the bill the Senate will solve equitably the budgetary problems in the bill. In this time of austerity, Congress must evaluate all farm programs and decide which serve the greatest needs of the nation and which the government realistically can support. Government no longer can be all things to all people.

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